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STATE OF THE U.S. TOURISM INDUSTRY

HEARING

BEFORE THE

SUBCOMMITTEE ON FOREIGN COMMERCE AND
TOURISM

OF THE

COMMITTEE ON COMMERCE,
SCIENCE, AND TRANSPORTATION

UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

STATE OF THE U.S. TOURISM INDUSTRY

SEPTEMBER 27, 1989

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STATE OF THE U.S. TOURISM INDUSTRY

WEDNESDAY, SEPTEMBER 27, 1989

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
SUBCOMMITTEE ON FOREIGN COMMERCE AND TOURISM,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:10 a.m., in room SR-253, Russell Senate Office Building, Hon. John D. Rockefeller IV (chairman of the subcommittee) presiding.

Staff members assigned to this hearing: Sally Susman, professional staff member; and Gerri Hall, minority professional staff member.

Senator ROCKEFELLER. This hearing will come to order.

I would ask out of my natural instinct for courtesy and my even more finely honed instinct for respect and self-preservation if the Chairman of the full Committee has any comments that he would care to make.

OPENING STATEMENT BY THE CHAIRMAN

The CHAIRMAN. Thank you, Mr. Chairman.

We have, as you know now, a bipartisan caucus of some 43 Senators. But the real leadership and the real action will be taken care of by you and by Senator Rockefeller and his subcommittee here, whose real work now has come into being.

We have been sort of lagging over the years. The fact of the matter is the States themselves like my State has made a greater financial commitment than the United States. Now that the legislation is moving, I think we can get out a much, much stronger authorization bill, realizing, of course, that tourism is one of the largest industries. It is the largest industry in my State, and for the United States, with respect to the deficit and the balance of trade. We employ 6.6 million people. The truth of it now is that tourism is contributing to the plus side of that balance of trade to the tune of \$37.1 billion. This compares with our leading product, agriculture which earn us \$30.0 billion.

As politicians, we have always bragged—and should brag—about America's agriculture. It is a success story and contributes to our international trade. But now we have one here that contributes even more.

We have to make our House colleagues, the administration, and the American people understand that this is a tremendous investment.

I will cut this short because I am in the middle of trying to coordinate things regarding Hurricane Hugo down at home. But I

have to harken our pride. I am proud of Bob Liming, from our State, who is here now. He has one of the leading tourism advocates in South Carolina.

We also have Governor Ariyoshi, from Hawaii, who has been leading in this work too.

But when I see our "hillbilly" friend from North Carolina, Voit Gilmore, I think back to when Jack Kennedy called. He said, "I've got some good news for you. I'm going to appoint Luther Hodges as Chairman of the Party." I said, "Oh, heavens, man. That fellow is a businessman's politician. He is not a political chairman. You have this all backwards. Let's put him into Secretary of Commerce." This, of course, occurred.

Thereupon, with our effort, I got on Governor Hodges and I said "we ought to start something for tourism at the national level." He said "Well, I've got Voit Gilmore, but he wants to get back Jerry Albright."

Secretary Hodges started this program in 1961 with Mr. Gilmore. I appreciate his persistence, loyalty, and his leadership, particularly, coming here some 28 years later and still leading the way.

I welcome these witnesses, outstanding as they are, both Mr. Linen and Bob Tisch.

Let me just stop right here and thank you for what you are doing.

I apologize for having to leave.

Senator ROCKEFELLER. Thank you, Mr. Chairman, very much.

Senator Bryan.

OPENING STATEMENT BY SENATOR BRYAN

Senator BRYAN. Thank you very much, Mr. Chairman.

Let me preface my comments by congratulating you and holding these series of hearings, the first of two that this subcommittee will do.

Having served with you for a number of years in the governor's association and since coming to the Congress, I know of your interest and commitment in helping to further the cause of tourism in America.

Too often in government we focus upon industries that are in trouble, and it is that trouble which causes those industries to come to our attention in the Congress.

This industry is a healthy industry. It is growing. It is expanding. It is playing an even more important role in our economy.

As you know, the tourism industry is one of the largest in the country. Thirty-nine States rank tourism among their top three industries, and 13, including my own State, as the top employer.

The travel and tourism industry is deceptively large because it is not often viewed as an integrated whole. Instead, it is thought of in terms of its component parts: airlines, railroads, passenger ships, hotels, restaurants and recreational type activities.

The industry accounts for more than \$320 billion in business receipts—that is more than 6 percent of our Gross National Product—directly providing more than 5.5 million jobs and \$34 billion in tax receipts.

Tourism is also an important export for the United States. Newly revised estimates by the USTTA show just how important it is.

In 1988, over 33 million people visited the United States, spending approximately \$37 billion. Notwithstanding this impressive statistic, the United States had a 1988 travel deficit of nearly \$3 billion.

I have every reason to believe with the opportunities that are before us, Mr. Chairman, that we can reverse those numbers.

As an example, the Government of Japan is officially encouraging the Japanese to travel abroad. The commitment is 10 million Japanese each year. Last year, 2.6 million Japanese came to the United States, and it is estimated that in 1989, that number will rise to 3.2 million.

In 1988, we had a \$3.1 billion surplus with Japan in travel and tourism. But I am convinced that we can do more.

Mr. Chairman, America simply has not aggressively marketed herself as an international travel destination. While in many industries, competition is between companies, in the travel and tourism industry it is between countries.

Globally, more than 170 national tourism administrations are vying for the business of 20 principal tourism generating countries. The United States must expand its national promotional efforts and I am sure that we can do so.

An investment in tourism makes sense. I am proud that the State of Nevada has aggressively marketed tourism and the investment has paid handsome returns.

In the last four years, assisted by a newly revitalized Nevada Tourism Commission, tourism has increased by 54 percent. Because of its proximity to the Far East, Nevada targeted Japan and the Pacific Rim countries as a primary international tourism market, and opened a tourism promotion office in Tokyo.

The number of Japanese tourists in Nevada rose from 130,000 in 1985 to nearly 300,000 in 1988. One example of a positive step that the United States Government can take in supporting tourism is the Department of Transportation's current proceeding to award an airline route to Japan in its ongoing efforts to provide additional service to Japan.

Mr. Chairman, let me, as a member of this subcommittee, pledge my full support and cooperation in working with you and the other Members of the Subcommittee.

I thank you.

Senator ROCKEFELLER. I thank you, Senator Bryan. I tend still to call you "Governor Bryan," because as soon as you were elected to the Senate, one of the first phone calls you made was to me, asking if it would be possible to serve on this Foreign Commerce and Tourism Subcommittee. I am delighted, obviously, and proud that you are here.

Senator STEVENS.

Senator STEVENS. I have no prepared statement.

I am pleased to join with you and to be able to listen, for a while, at least, to the witnesses that are scheduled to be here. This is a most important subject to our State, as I think to the whole Nation.

I am pleased to be with you.

OPENING STATEMENT BY SENATOR ROCKEFELLER

Senator ROCKEFELLER. Thank you, Senator.

I really think we are starting off something major here and something, as Senator Bryan indicated, that is underestimated. I think that the impact not only of this hearing but of the following one that we are going to have, of the new legislation that we are talking about, reauthorization at higher levels, portends a very significant redistribution of interest in terms of the power of tourism in this country.

In some respects, I think what we are doing today is unusual because what it is is this subcommittee is undertaking an examination of our own policies, so to speak, toward an important industry prior to hardships. We specialize in here in worrying about HDTV and other things, when they may already be gone or about to go. Here we are looking at problems prior to any developing, and there probably won't be any. The tourism industry does not need any government bailout. It does not need even any relief.

Rather, I think it is simply good government to update ourselves, not only for our own purposes, but to catch the attention of the American people and make them understand the power, the economic power, of this industry. Frankly, we need to make certain that our Federal policy is doing what it was that we intended it to do when we last reviewed it.

So, from my point of view, the tourism industry is a foot soldier in the revolution to a more service-oriented economy. Like so much of American industry today, we cannot see their smokestacks, we cannot see their assembly lines, because they don't have them. But we can feel their economic effects and they are awesome.

Tourism, as has been pointed out, is the third largest retail industry in the country. Its expenditures last year were approximately 6.6 percent of the Gross National Product at \$323 billion in 1988. Over 6 million Americans, are employed in the country.

The States are aware of the impact of the tourism industry. In fact, tourism ranks either first, second, or third in 39 of our States. The National Governor's Association just adopted a policy stating the importance of tourism promotion as an integral part not of just good government, but of basic economic development.

In West Virginia, tourism is diversifying our economy like nothing else is. The Travel and Tourism Government Affairs Council estimates that tourism in West Virginia probably exceeds \$1.6 billion in 1988. That is a lot of money for a small State like ours. This represents a revenue increase of over 20 percent—27 percent, in fact—over the last several years. And tourism is the largest employer.

Beyond diversifying rural economies, the tourism industry has become an engine of growth for our international balance of payments. It is staggering to note that tourism was our largest export in 1988, bringing in \$37.1 billion.

By comparison, in terms of chemicals, chemicals was \$32.3 billion. Motor vehicles were \$25.2 billion. Those are what we hear about.

The fact is that tourism was \$37.1 billion, far in excess of those.

A record high 30 million foreign visitors travelled to this country last year. Each foreign visitor is an American export. This is difficult to translate, but translate it does.

Skeptics may then ask: if tourism is booming, why should the Federal Government get involved? The reason for that is because competition in tourism is not between American industries or between industries overseas and here, but between governments.

Despite the high quality product that we have to offer, the U.S. is now in the process of losing world market share in tourism. This is one industry where critics cannot recite the claim that they need to get more competitive or get their act together. This industry is competitive.

Our government needs to get competitive.

I want to dust off our tourism policy, which we have not looked at, incidentally, in about a decade and ask some tough questions.

We are here to learn about this industry and determine how well the national tourism policy is serving us. Is there more that we could be doing within the confines of our clear and obvious budgetary constraints to promote the U.S. as a final destination for these export products called "foreign tourists?"

What barriers exist to our services abroad?

Should the mandate of the USTTA be redefined?

What can we do to increase the U.S. market share of tourism?

We have excellent witnesses today, and we are looking forward to hearing from them.

We will now do so because I will stop talking.

Mr. Jonathan Linen is President and CEO of TRS Direct Marketing and Travelers Cheque, American Express, a person who I very much value and who has been very helpful to me, and Mr. Preston Robert Tisch, President and CEO, Loews Corporation in New York, about whom I would say precisely the same thing.

So, gentlemen, we welcome your testimony.

I have a statement that Senator Burns would like to have included in the record.

[The statement follows:]

OPENING STATEMENT BY SENATOR BURNS

Mr. Chairman, it is a pleasure to be here today discussing the future of the most dynamic industries in our country today. It reminds me of the cow business however. It takes all kinds of support businesses to run a ranch—everything from feed companies to the local vet. We couldn't run a cow calf operation without all the people who specialize in the services we need to run the business but we all tend to think of ourselves as independent—not picturing ourselves as a cooperative industry.

The same is true in the tourism business. It appears that there are a lot of small businesses out there that don't recognize they are a part of the big picture. But to gain recognition and be taken seriously as the one of the leading export businesses this kind of thinking must come to be.

We read now that tourism stands just slightly ahead of agriculture in export revenue at 37.1 billion—with agriculture at 37 billion. Now in Montana we should be rolling in the dough with that news but we're not. We are located in the hinterland with one of the best kept rural tourism secrets in America. We can't afford that kind of privacy. It doesn't pay the grocery bill. That's why I'm seriously interested in seeing effective legislation that will encourage the development of tourism businesses in the rural areas of this great country.

Mr. Chairman, I am defending tourism on two fronts today. I will be returning to a markup in the Energy Committee to make sure everything goes well with the Idaho Wilderness bill. I will be back if I can. Thank you very much.

Senator ROCKEFELLER. Mr. Linen, we will start with you.

STATEMENT OF JONATHAN S. LINEN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, DIRECT MARKETING GROUP AND TRAVELERS CHEQUE, TRAVEL RELATED SERVICES, AMERICAN EXPRESS CO.

Mr. LINEN. Thank you, Mr. Chairman.

I am Jon Linen, a senior executive with American Express, but probably more appropriately for this forum, the Chairman of the Senate's Travel and Tourism Advisory Council, from which there are a lot of members here in support today.

Before I do anything else, Mr. Chairman, let me express our gratitude to you for calling these hearings. We in the industry appreciate your leadership.

Now, let me pose a question.

If I were to describe an industry whose contribution to our GNP is more than twice that of agriculture and electronics, greater than auto, steel and textiles combined, whose State, local and Federal taxes come to over \$31 billion a year, not including employee personal income taxes, which industry would most people think I am describing? Would it be some form of manufacturing or technology perhaps?

Let me give you some more facts.

This industry's sales make it the United States' largest single exporter, at over \$37 billion. It employs more people than auto, steel, textiles, electronics and agriculture combined.

What industry could possibly fit such a glowing description? Most Americans would be very surprised to learn that it is the United States travel and tourism industry.

These facts and many more come from a study American Express commissioned from the Wharton Econometric Forecasting Group, the international economic consulting firm. This study marks the first comprehensive effort ever of the travel and tourism industry, something I have come here to talk to you about today.

I therefore, Mr. Chairman, respectfully request that the WEFA study be included in the record.

Senator ROCKEFELLER. It will be included by reference.

Mr. LINEN. The point I want to make with such facts, Mr. Chairman, is that travel and tourism is not a luxury industry. It is a very significant part of the American economy. Travel is jobs, tax revenues, investment, growth, and opportunity.

Thirty-nine out of the 50 States list travel and tourism as their number one or two industry. Foreign tourists coming to the U.S. bring us more dollars than any of our manufactured goods going overseas.

Mr. Chairman, such contributions to the economy are so substantial that American Express calls upon the Congress to consider a national policy for travel and tourism.

We seek no subsidies, no special exemptions from the Nation's laws. Instead, we seek government focus in four areas.

One: we ask that the Congress recognize the travel and tourism industry's economic strength and potential. We would like the Congress to consider us as it would any other major industry when it

drafts legislation, collects data on the economy and plans for the country's future. In effect, we would like to see a change in the government's mindset regarding service industries such as ours.

Here is a specific example.

The dollar value of travel and tourism exports, meaning the money that foreign tourists spend here, is larger than that of our agricultural exports. Yet the research budget for the United States Travel and Tourism Administration is only one-eighth the size of its Department of Agriculture counterpart.

We seek similar refocusing across the board. An example: how government funds are allocated for training and special education. These funds are often directed to manufacturing industries where there is not much job growth, instead of training people for those industries where there will be openings, like travel and tourism.

Two: we seek a redirection, a reduction in trade barriers. We ask the Congress and the Executive Branch to be as vigilant in pursuing unfair trade practices in travel and tourism as in electronics or steel.

We face numerous obstacles in offering our services and in investment overseas. The OECD has identified 48 separate government policies that are obstacles in the industrialized countries. These include taxes, investment restrictions, regulations and other actions.

To give you an idea, in Finland and Portugal, the operation of travel agencies is limited to local nationals. In most OECD countries, nonnational airlines are not permitted to have their own ground handling organizations, and there are many other barriers that inhibit business operations or the movement of individuals.

Therefore, it is important to make travel and tourism a high priority for the GATT negotiations and an integral part of services and trade negotiations around the world.

Three: there needs to be a concerted effort to promote tourism to the U.S. from abroad.

The U.S. has a \$2.9 billion trade deficit in travel, which cannot simply be blamed on foreign barriers. Much of it is our own fault.

For example, the Japanese Government has a stated national policy to increase travel expenditures outside Japan. This is a soft way to help reduce their high balance of payments surplus. Yet, the U.S. and the travel and tourism industry as a whole have done next to nothing to take advantage of that policy. To my knowledge, we have done nothing substantial to promote the U.S. as a destination to the Japanese, even though this would be an easy way to get some of our money back.

So, a national policy could easily turn our travel deficit into a significant surplus.

Lastly, number four: we ask the Congress to encourage the rebuilding of our Nation's tourism infrastructure, such as roads and airports. This is essential if the entire economy, not just the travel and tourism industry, is to sustain economic growth.

The FAA predicts, for example, that the number of seriously congested airports will balloon from 16 to 58 in the next ten years and affect 74 percent of all passengers.

We must look beyond traditional government investment or trust funds. There are many creative ideas around for relieving airport

congestion and easing air traffic control problems. They need a serious look.

Mr. Chairman, let me close with this.

The fact that our industry is as healthy as it is and has gotten to this level of contribution to GNP on its own, unrecognized, with little or no support from the Federal Government, should make us stop and think. It is time now to take advantage of the strength that is here and build on that together because we have not yet begun to scratch the surface of the opportunity.

Think of how much further we could go with the addition of government focus and support in the areas of reduction of trade barriers, concerted efforts to promote the U.S. as a destination from abroad, and rebuilding the Nation's infrastructure to support the travel and tourism industry, let alone the daily commute.

Now that we have your attention, we hope we have impressed you with the importance of this subject.

We look forward to working with you in developing this vital industry, a major contributor to the health of this economy.

Thank you for letting me come to share our views.

[The statement follows:]

STATEMENT OF JONATHAN S. LINEN, PRESIDENT AND CEO, DIRECT MARKETING GROUP
AND TRAVELERS CHEQUE, TRAVEL RELATED SERVICES, AMERICAN EXPRESS CO.

Thank you, Mr. Chairman.

I'm Jon Linen, chairman of the Senate's Travel and Tourism Advisory Committee and a senior executive with American Express. Before I do anything else, Mr. Chairman, let me express my gratitude to you for calling these hearings. We in the industry appreciate your leadership in educating others to travel and tourism's importance to our nation's economy.

The reason is this--the travel and tourism industry often feels a little like the good child who's overlooked because her parents have so many problems with the other children.

o We all know the attention that the textile and agricultural industries have received in recent years. Yet, U.S. households spend twice as much on travel as on clothing; almost as much on travel as on food, beverages, and tobacco combined.

o It would also surprise many people to know that the typical American household spends almost as much on travel as it does on medical care.

These statistics regarding the size of our industry came from a study we commissioned from the WEFA Group, the international economic consulting firm. This study marks the first comprehensive effort ever to understand the full economic importance of the travel and tourism (T&T) industry.

And I would ask that the WEFA study be included in the record.

Someone once said that the trouble with facts is that there are so darn many of them. But with your indulgence, I'd like to present just a few more to give you some idea of our industry's size, scope and contribution to the American economy.

o The T&T industry overall contributes as much or more to the country than those industries most frequently consulted by government in deciding economic and social policy. In other words, our growth contribution to GNP is more than twice that of agriculture or electronics and substantially greater than that of auto, steel and textiles combined. As a result, 39 out of the 50 states list travel and tourism as their number one or two industry.

o As for meeting our responsibility as corporate citizens, T&T companies paid \$31 billion in state, local and federal taxes in 1987. And this does not include employee personal income taxes.

o Tourists coming to the U.S. bring us more dollars than any of our manufactured goods going overseas. New figures show that tourism is the largest single export at \$37.1 billion, higher than agriculture, chemicals and motor vehicles.

o In terms of jobs, we provide 9.6 million jobs, a job for one out of every 13 Americans. A good number of these are entry-level jobs, giving opportunities to many first-time

employees. We employ more people than auto, steel, textiles, electronics and agriculture combined.

The point I want to make with all these facts, Mr. Chairman, is that travel and tourism is a significant part of the American economy. We're very proud of this, but our problem is, quite honestly, that we're not taken seriously as the major economic force that we are. Mr. Chairman, you have been a governor, so you understand the role travel and tourism plays in a state's economy. I can't tell you how astonished, if not exasperated, my associates and I get when some people consider T&T simply a luxury industry.

The lady at the hotel front desk, the guy riveting a Boeing 757, the person at the car rental place--they certainly don't consider their jobs a luxury. States and communities certainly don't consider the tax revenues they receive from travel and tourism a luxury.

Travel is jobs, tax revenues, investment, growth, opportunity. In fact, for every dollar of direct travel and tourism spending, approximately one more dollar is spent elsewhere in the economy. We have a great ripple effect. We feel we could add even more.

Mr. Chairman, our contributions to the economy are so substantial that American Express calls upon the Congress to consider a national policy for travel and tourism. This would be a national policy that I think both sides of the aisle would find acceptable, because we seek no subsidies, no

special exemptions from the nation's laws. We seek four things.

One, we ask that the Congress recognize the travel and tourism industry's economic strength and potential. In other words, we would like the Congress to treat us as it would any other major industry, when it drafts legislation, collects data on the economy, and plans for the country's future.

For example, travel and tourism exports are slightly larger than all agricultural exports, yet the research budget of the USTTA is only one-eighth the size of its Department of Agriculture counterpart. Or another example, we would like to see the U.S. Foreign Commercial Service as actively involved in encouraging travel to the U.S. as it is in encouraging the sale of U.S. products abroad.

In effect, we would like to see a change in the government's mindset regarding service industries, and especially travel and tourism. Take jobs. T&T has accounted for 15 percent of the total increase in employment in the U.S. since 1976. And we will need many more people in the years ahead. Yet government funds for training and special education are often directed to manufacturing industries, where studies show the economic leverage is lower. We would love to employ some of these people who need to find work. Doesn't it make sense for the government to train people for those industries where there will be jobs? We believe there are times when, in the allocation of government resources,

the travel industry could give taxpayers a little better return on their money.

Two, we seek a reduction of trade barriers. We ask the Congress and the Executive Branch to be as vigilant in pursuing unfair trade practices in travel and tourism as in electronics or steel. We face numerous obstacles in offering our services and investing overseas. The OECD (Organization for Economic Cooperation and Development) has identified 48 separate government policies--taxes, investment restrictions, regulations and other actions--that are obstacles to international travel in industrialized countries alone. To give you an idea:

--in Finland and Portugal, the operation of travel agencies is limited to local nationals.

--in all OECD countries, except Spain, non-national airlines are not permitted to have their own ground handling organizations.

--there are many other kinds of barriers. Some make it harder or too expensive for businesses to operate. Others inhibit the movement of individuals.

Because of such barriers, we think it's very important to make travel and tourism a high priority on the agenda for the GATT negotiations. We believe travel and tourism should be an integral part of services and trade negotiations around the world.

Three, we would like to see a concerted effort to promote tourism in the U.S. The U.S. has a \$2.9 billion

trade deficit in travel. That deficit is not simply attributable to unfair foreign practices. Much of it's our own fault.

For example, the Japanese government has a stated national policy to increase travel expenditures outside Japan. This is a soft way to help reduce their high balance of payments surplus. It also broadens the horizons of their citizens by getting them out around the world. Yet the U.S. and the T&T industry as a whole has done nothing to take advantage of that policy. To my knowledge, we've done nothing more than we've been doing to promote the U.S. as a destination to the Japanese; yet this would be an easy way to get some of our dollars back.

If I may say a good word about the USTTA at this point, the USTTA has worked hard under trying circumstances. It's done what it can cooperating with private industry to develop the U.S. tourism industry. The industry itself is not cohesive; while each sector may look after its own individual interests, the sectors do not pull together to encourage the cause of U.S. tourism as a whole. There is such opportunity out there with a little guidance from the government.

According to a recent survey by Ogilvy & Mather, foreign attraction to America is at an all time high. Foreigners find America to be a nation that is extraordinarily colorful and animated, full of optimism, a nation where people defy the expectations of what is possible. We have beautiful

scenery, fascinating sights and hospitable people. I believe a national tourism policy easily could turn this deficit into a significant surplus.

Four, we ask the Congress to encourage the rebuilding of our nation's infrastructure. This, of course, is a larger issue than simply regards the travel and tourism industry. America's general economic health is directly dependent upon the condition of our infrastructure. In its report to the Congress, the National Council on Public Works Improvement found that America's infrastructure is inadequate to sustain future economic growth. And, of course, economic growth is what we all seek.

The Department of Transportation has said that the airline industry is dying for an increase in capacity. The Federal Aviation Administration predicts the number of seriously congested airports will balloon from 16 to 58 in the next ten years and affect 74 percent of all passengers. Yet there is only one major new airport--Denver's--currently on the books, and there's little likelihood that another will be built anywhere else in the U.S. in the next decade.

There are creative ideas around for relieving airport congestion and easing air traffic control problems, and we believe they deserve a serious look. We believe we must look beyond traditional federal government investment. We must also look outside the traditional government trust fund approach, which we all know is meaningless when it comes to airport infrastructure. The Airport and Airway Trust fund

has a surplus over \$6 billion, yet the money is no longer used for improving air travel in this country but, in effect, to fund other programs.

I might add here that some countries, as well as state and local governments, still regard travel and tourism as a luxury, an opportunity for discriminatory and higher taxes; so levies are placed on airfares, airport departures, hotel occupancy and so forth. If the extra taxes on our industry were used to improve the airport infrastructure or roads or other government investments relating to our business, that would be entirely fair and fitting. Unfortunately, this is not the case.

Mr. Chairman, these are the elements we would like to see in a national travel and tourism policy. We aren't asking for any special protections or favors. We would like to be an experiment. We are, by and large, a successful, healthy, growing industry. With peace breaking out all over the world, this is exactly the time that congressional attention could be of the most positive, long-term advantage to travel and tourism. We ask you to consider developing a strategy to encourage a healthy industry, a strategy to maximize jobs, tax revenues and benefits to America's economy. We would support you in every way we could in developing this national policy on travel and tourism.

I thank you very much for this chance to share our views with the subcommittee.

Senator ROCKEFELLER. Thank you, Mr. Linen.
Mr. Tisch.

STATEMENT OF PRESTON ROBERT TISCH, CHAIRMAN, TRAVEL AND TOURISM GOVERNMENT AFFAIRS COUNCIL, AND PRESIDENT AND CO-CEO, LOEWS CORP.

Mr. TISCH. Thank you, Senator.

For me, this is like coming home, seeing Senator Bryan and, of course, Senator Stevens, who was my boss when I was at the Postal Service. I have testified before him many times. It is a pleasure seeing you again, Senator Rockefeller.

I am pleased to appear before you today to discuss the status of inbound international tourism and the adequacy of the Federal Government's efforts to improve U.S. competitiveness in the world tourism market.

I am Bob Tisch. I am Chairman of the Travel and Tourism Government Affairs Council.

The Council is an affiliate of the Travel Industry Association of America and consists of 43 major national travel and tourism trade organizations.

I am also President of Loews Corporation, which has substantial holdings in the travel industry; most notably 14 hotel properties in the United States, Europe, and the Caribbean.

In addition, our company, Loews Reservations International, represents 400 hotels around the world.

Tourism is a business that I grew up in, started in and have come to know well. I would like to get the other people in the United States to not only know our tourism better but to become more a part of it.

This summer, Mr. Chairman, the Federal Government officially recognized what we in the industry have always known, but have been unable to prove. This is that tourism is America's largest export.

The Commerce Department now knows that \$37.1 billion brought by foreign travelers into the United States exceeds the export revenue generated by agriculture, automobile manufacturing, chemicals, electronics, and every other American product.

As we said earlier, unfortunately this truth is not widely known and even less appreciated by the public, the media, the administration, and many of your Congressional colleagues outside of this Subcommittee.

Less than a week ago, as Senator Hollings represented, the devastation wreaked in the Carolinas by Hurricane Hugo was reported by the media. Much was made of the tourist dollars that will be lost to those economies. Although I suppose it is human nature to miss only that which has been lost, I am incredulous when tourism becomes conspicuous only by its absence.

We remain hopeful that you and the legislative process begun by this hearing will change all that.

Mr. Chairman, travel and tourism is a dramatically growing segment of the global economy. Worldwide international tourist arrivals are expected to exceed 500 million people by the year 2000.

International tourist receipts are projected to more than triple, rising to approximately \$500 billion by the year 2000.

These are impressive numbers, made all the more so by our Nation's struggle to correct its international trade imbalance.

If the United States is to earn an appropriate share of the exploding international tourism market, we must be vastly more active in attracting visitors and promoting tourism.

How can we tolerate U.S. spending on tourism promotion that on a per capita basis is less than 44 other nations—less than every other industrialized nation, even less than Yemen, Uganda, and Poland; less than Pakistan and Kenya?

Why should U.S. taxpayers fund such an effort?

Although the estimated tourism trade deficit has shrunk to \$2.9 billion with the release of the new figures on international travel receipts, it is still sizeable and a disgrace, given the potential that we have.

The problem lies not with the American enthusiasm for seeing the world, but the inability to attract more foreign visitors to the United States. This is particularly ironic in view of the destination of choice of potential visitors from nearly every country, which is the United States. Second, American companies spend hundreds of millions of dollars promoting travel products and services internationally.

One might well ask why, if everyone wants to come here and so much is spent privately on tourism promotion, we are not doing better? This, however, misses a major point.

The money spent by U.S. companies on travel promotion does not, can not, and, in fact, is not intended to interest potential visitors in coming to the United States.

If I may, I would like to explain my company, which is fairly familiar to me, Loews Hotels.

We are a relatively small hotel company in terms of number of properties. Hence, a large centralized marketing effort would be difficult and prohibitively expensive to undertake. Loews Hotels thus promotes itself internationally primarily by participation in key trade shows, such as the World Travel Market and TIA's Discover America International Pow Wow operated in cooperation with the U.S. Travel and Tourism Administration, advertising on behalf of individual properties in key markets such as New York, occasional international trips or missions by sales people from individual properties, and through our offices and general agents throughout the world.

Little, if any, of these efforts reach the international consumer directly. This is because, to be perfectly candid, it is unfortunately highly unlikely that anyone will come to the United States for the purpose of staying at a Loews Hotel. But when a traveler has already decided to visit the United States, Loews can and does effectively compete with other hotel companies for his lodging business.

When a foreign traveler visits a travel agent or tour operator in England, France, or Germany, he is likely responding to advertising and information which publicizes a destination, not a hotel or an airline. If that destination is not in the United States, for us the battle has already been lost.

Even the casual television viewer knows how Australia, Canada, Ireland, and other nations successfully campaign in the United States and around the world to attract more visitors.

Australia alone is spending nearly \$50 million on international tourism promotion this year.

We have even more problems in Japan, which has become the most lucrative international tourism market for the United States.

This is why Loews and other travel industry companies, large and small, are ideal candidates to invest in a synergistic international marketing effort, such as that coordinated by the U.S. Travel and Tourism Administration.

USTTA, despite the fact that its current funding is little more than a typo in the Federal budget, is doing some good things.

For instance, at Loews L'Enfant Plaza right here in Washington, we recently participated in a USTTA familiarization tour of Washington, Virginia, and West Virginia, by hosting a Canadian journalist for a few days. This opportunity was created and organized entirely by USTTA, and with a relatively small investment, our company made it possible for this journalist to see not only a Loews property, but several attractions and destinations in this area of the country.

This is a small but representative example of the kind of program that USTTA and only USTTA can undertake. This is at the heart of our frustration, because we all believe so much more can be done.

We understand that this Subcommittee will be considering a revision of the National Tourism Policy Act which established USTTA in 1981. We applaud you for such an effort. The incredible growth in the tourism industry since the act was passed, both in the United States and worldwide, more than merits your attention.

We look forward to working with you as your ideas take shape. We would suggest, however, that new ideas, like everything else in life, have their price tag.

It is time—in our opinion it is past time—for bold new initiatives in tourism trade development. The world is moving fast to take advantage of international tourism, and we are in danger of being left behind.

Let us now not let sincerity, even sincerity rooted in genuine concern for the Federal budget deficit, and the many hard choices that must be made, let us not have sincerity make us losers. We should need no excuses to invest in America and our largest export, our second largest private employer, and a tax revenue generator of phenomenal proportions.

Thank you, Mr. Chairman, and thank you Members of the Subcommittee.

[The statement follows:]

STATEMENT OF PRESTON ROBERT TISCH, CHAIRMAN, TRAVEL AND TOURISM GOVERNMENT
AFFAIRS COUNCIL, PRESIDENT AND CEO, LOEWS CORP.

Good morning Mr. Chairman and members of the Subcommittee. I am pleased to appear before you today to discuss with you the status of inbound international tourism, and the adequacy of federal government efforts to improve U.S. competitiveness in the world tourism market. My name is Bob Tisch and I am Chairman of the Travel and Tourism Government Affairs Council. The Council, an affiliate of the Travel Industry Association (TIA), consists of 43 major national travel and tourism trade organizations, corporations and labor organizations.

I am also President and Co-CEO of Loews Corporation, which has substantial holdings in the travel industry; most notably our 14 hotel properties in the United States, Europe and the Caribbean. In addition, Loews Representation International, a reservation and marketing company, represents over 400 hotels around the world. I personally have been in the hospitality business for over thirty years, beginning with a summer camp I ran with my brother. Tourism is a business I have come to know well and love, and if I may be permitted a bit of proselytizing, I think its a business that the United States should love, but come to know much better.

Only this summer, Mr. Chairman, the federal government officially recognized what we in the industry knew "in our bones," but until now were unable to prove. And that is that tourism is America's largest export. Thanks to the U.S. Travel and Tourism Administration's inflight survey conducted in cooperation with the airlines, we now know that the \$37.1 billion

brought by foreign travelers into the United States exceeds the export revenue generated by agriculture, automobile manufacturing, chemicals, electronics and every other American export product. [Appendix 2]

We believe that is a fact that should be of immediate and sensational consequence to you, your colleagues and the White House. But is it? With deference to you Mr. Chairman, and our friends and advocates on this Subcommittee who have worked so persistently to bring travel to the forefront of trade and economic policy, tourism and the programs that support and nurture it have remained, at best, on the bottom rung of the federal policy ladder. Enormous opportunities await this nation in tourism--opportunities that will not wait forever.

Less than a week ago when the devastation wreaked in the Carolinas by hurricane Hugo was reported by the media, much was made of the tourist dollars that will be lost to those economies. Although I suppose it is human nature to miss only that which has been lost, I am incredulous when tourism becomes conspicuous only by its absence. We remain hopeful that you, and the legislative process begun by this hearing, will change that.

Mr. Chairman, travel and tourism is a dramatically growing segment of our economy. Worldwide international tourist arrivals are expected to reach over 500 million by the year 2000. And international tourist receipts are projected to more than triple, rising to approximately \$500 billion by the year 2000. These are impressive numbers, made all the more so by our nation's

struggle to correct its international trade imbalance.

If the United States is to earn an appropriate share of the exploding international tourism market, we must be vastly more active in attracting visitors and promoting tourism. Every industrialized nation--and many developing nations as well, spend more money to support travel and tourism than does the United States. These nations have a profound edge in the intense global competition for the international tourist dollar. How can we tolerate U.S. spending on tourism promotion that on a per capita basis is less than 44 other nations--less than Yemen, Uganda and Poland--less than Pakistan, Kenya and Lesotho. [Appendix 3]

Why should U.S. taxpayers fund such an effort? Although the estimated tourism trade deficit has shrunk to \$2.9 billion with the release of the new figures on international travel receipts, it is still sizeable--and a disgrace given the potential. The travel industry has no quarrel with Americans traveling overseas in large numbers. On the contrary, we believe Americans traveling abroad not only increase interest in the United States on the part of potential international visitors, but contribute to goodwill and international understanding. The problem lies not with Americans enthusiastically seeing the world, but with our inability to attract more foreign visitors to the United States. This is particularly ironic in view of two facts: one, every survey shows that the number one destination choice of potential visitors from nearly every country is the U.S.; and two, American companies spend hundreds of millions of

dollars on promoting travel products and services internationally.

One might well ask why, if everyone wants to come here and so much is spent privately on tourism promotion, we aren't doing better? One point needs to be raised here. The monies spent by U.S. companies on travel promotion do not, cannot, nor are they intended to interest a potential visitor in coming to the United States. Let me explain myself by using a company with which I am fairly familiar--Loews Hotels. We are a relatively small hotel company in terms of number of properties. Hence a large centralized marketing effort would be difficult and prohibitively expensive to undertake. Loews hotels thus promotes itself internationally primarily by participation in key trade shows such as the World Travel Market and TIA's Discover America International Pow Wow operated in cooperation with the U.S. Travel and Tourism Administration (USTTA), advertising on behalf of individual properties in key markets such as New York, occasional international trips or missions by sales people from individual properties and through the offices of the general sales agents of Loews Representation International. Little, if any of these efforts, reach the international consumer directly. That is because, to be perfectly candid, it is unfortunately highly unlikely that anyone will come to the United States for the purpose of staying at a Loews Hotel. But when a traveler has already decided to visit the United States, Loews can and does effectively compete with other hotel companies for his lodging

business. When a foreign traveler visits a travel agent or tour operator in England, France, Germany, he is likely responding to advertising and information which publicizes a destination--not a hotel or an airline. If that destination is not in the U.S., (or a country where there is a Loews Hotel), for us, the battle has already been lost. Even the casual television viewer knows how Australia, Canada, Ireland and other nations successfully campaign in the U.S. and around the world to attract more visitors. Australia alone is spending nearly \$40 million on international tourism promotion this year. Mr. Chairman, I do my best, but Bob Tisch is no Crocodile Dundee. We have even more problems in Japan, which has become the most lucrative international tourism market for the U.S. and where Loews has no significant presence at all.

That is why Loews, and other travel industry companies large and small, are ideal candidates to invest in a synergistic international marketing effort such as that coordinated by the U.S. Travel and Tourism Administration (USTTA).

USTTA, despite the fact that its current funding is little more than a typo in the federal budget, is doing some good things. For example, the Loews L'Enfant Hotel here in Washington recently participated in a USTTA familiarization tour of Washington, Virginia and West Virginia, by hosting a Canadian journalist for a few days. This opportunity was created and organized entirely by USTTA, and with a relatively small investment by Loews made it possible for this journalist to see

not only a Loews property, but several attractions and destinations in this area of the country. This is a small but representative example of the kind of program that USTTA, and only USTTA could undertake. And that is at the heart of our frustration. So much more could be done.

We understand that this Subcommittee will be considering a revision of the National Tourism Policy Act which established USTTA in 1981. We applaud you for such an effort. The incredible growth in the tourism industry since the Act was passed, both in the U.S. and worldwide, more than merits your attention. We look forward to working with you as your ideas take shape. We would suggest, however, that new ideas, like everything else in life, have their price tag. It is time--past time--for bold new initiatives in tourism trade development. The world is moving fast to take advantage of international tourism and we are in danger of being left behind. I am reminded of a Charles Schulz cartoon which shows Charlie Brown standing on his pitcher's mound saying "how can we lose when we're so sincere"? Let us not let sincerity--even if it is sincerity rooted in genuine concern for the federal budget deficit, and the many hard choices that must be made--let us not let sincerity make us losers. We should need no excuses to invest in America, and in our largest export, our second largest private employer, and a tax revenue generator of phenomenal proportions.

If I may make one point about the many user fee funding schemes we've seen advanced over the years: I oppose them. In

addition to the fact that other dedicated user fees have been languishing in their respective trust funds doing no good for anyone, such fees tend to set off a chain reaction of international retaliation that is harder to stop than start. Moreover, I find it doubtful that Congress would even consider imposing a special "export tax" on automobiles or any other export product when expanded global trade in American goods is an objective we are otherwise working so hard to achieve. An additional departure fee is just such a tax, whether or not it is intended to fund USTTA.

Finally, Mr. Chairman, I would like to leave you with this quote attributed to Benjamin Franklin: "One cannot say to a stove, 'give me heat and I will give you wood.'" Travel and tourism has been generating intense economic heat and I hope that while the opportunities are still there, Congress will choose to give it wood. Thank you.

Appendix 2**REVISED ESTIMATES OF TRAVEL AND TOURISM
ECONOMIC IMPACT ON THE U.S. ECONOMY****International Visitors' Economic
Contributions to the U.S. Economy**

	Old Estimate	Revised Estimate
1987 expenditures in the U.S. (\$ bil.)	\$14.8	\$23.5
1988 expenditures in the U.S. (\$ bil.)	\$18.5	\$29.2
1987 payroll income generated (\$ bil.)	\$3.1	\$4.9
1987 employment generated		
direct (thousands of jobs)	259	412
indirect (thousands of jobs)	119	189
1987 federal taxes generated (\$ mil.)	\$787	\$1,252
1987 state taxes generated (\$ mil.)	\$610	\$970
1987 local taxes generated (\$ mil.)	\$313	\$498

Size of the U.S. Travel Industry

1987 expenditures in the U.S. (\$ bil.)	\$288	\$297
1988 expenditures in the U.S. (\$ bil.)	\$313	\$324
1987 payroll income generated (\$ bil.)	\$64.3	\$66.1
1987 employment generated		
direct (millions of jobs)	5.34	5.49
indirect (millions of jobs)	2.30	2.37
1987 federal taxes generated (\$ bil.)	\$18.5	\$19.0
1987 state taxes generated (\$ bil.)	\$11.5	\$11.9
1987 local taxes generated (\$ bil.)	\$4.2	\$4.4

Appendix 3

**PER CAPITA SPENDING BY
NATIONAL GOVERNMENT
TOURISM ORGANIZATIONS**

(\$ U.S. Dollars/1980)

1. Jamaica	\$8.87	33. Senegal	\$0.20
2. Israel	\$8.82e	34. Congo	\$0.19
3. Greece	\$7.65	35. Paraguay	\$0.19
4. Cyprus	\$7.61	36. Korea	\$0.19e
5. Iceland	\$6.94e	37. Brazil	\$0.16
6. Grenada	\$6.76e	38. Thailand	\$0.15
7. Switzerland	\$4.33	39. Chile	\$0.13
8. New Zealand	\$2.76	40. Uganda	\$0.12e
9. Panama	\$2.50e	41. Egypt	\$0.09
10. Belgium	\$2.08	42. Philippines	\$0.09
11. Finland	\$1.89	43. Argentina	\$0.07
12. Italy	\$1.77	44. Pakistan	\$0.06
13. Poland	\$1.69	45. United States	\$0.05
14. Costa Rica	\$1.47		
15. Netherlands	\$1.34		
16. Spain	\$1.34e		
17. Portugal	\$1.29		
18. Hungary	\$1.28		
19. Canada	\$1.04		
20. Colombia	\$1.02		
21. Peru	\$0.88		
22. Kenya	\$0.85		
23. Syria	\$0.84e		
24. United Kingdom	\$0.76		
25. Australia	\$0.60		
26. Maldives	\$0.60		
27. Lesotho	\$0.53		
28. Jordan	\$0.52e		
29. France	\$0.49e		
30. Yemen	\$0.49		
31. Sudan	\$0.43		
32. Sri Lanka	\$0.21		

Notes: Reporting countries did not include a number of countries expected to rank higher than the U.S. including such countries as Bahamas, Iceland, Denmark, Sweden, Ireland, etc.
"e" indicates Travel and Tourism Government Affairs Council estimate.
Source: World Tourism Organization and Travel and Tourism Government Affairs Council.

Senator ROCKEFELLER. Thank you, Mr. Tisch, very much.

Senator Danforth has come in.

Do you have any remarks that you care to make?

Senator DANFORTH. No, not at this time.

Senator ROCKEFELLER. Senator Bryan.

Senator BRYAN. Thank you very much, Mr. Chairman.

I would like to pick up on a point that Mr. Linen raised and that concerns the trade barriers, as you see them.

Have you provided for our staff a copy of the trade barriers that you made some general reference to, so that we can have a chance to examine them?

Mr. LINEN. Senator, in my full testimony there is fuller reference to some of the trade barriers. Are you specifically meaning the 48 mentioned by the OECD?

Senator BRYAN. Yes.

Mr. LINEN. If it is not there, we will provide, gladly, a specific copy of what those are, Senator.

Senator BRYAN. One followup question, if I may.

In terms of changing the attitude, one of the first points that you made in terms of recognizing what an important economic source that we have and getting the "mindset"—I think that was the language that you used—changed, do you have any thoughts as to how you might do it?

With this Subcommittee, you are singing to the choir. We understand.

Unfortunately, some of our colleagues in the other body do not fully understand, as we do over here, the importance of this as a resource, as an export potential.

Do you have any thoughts in terms of how the private sector might help us in that?

Mr. LINEN. Well, I think particularly those of you who have been governors recognize the importance of tourism. We appreciate your support and your knowledge of the situation.

We have often been our own worst enemy. We are a collection of fragmented industries, all having a common goal of helping people travel across to and from countries and across borders. We probably have not done as good a job in the past as we could have to recognize the common goal that we all have.

After all, when a traveler comes to the United States, whether he travels by airline and then takes a car rental, stays at a hotel, has a meal, or visits an amusement park, every one of those aspects combine to leave an impression of the entire trip.

We think that this effort, to try to garner a national policy and to gain some recognition of the export importance of the tourism industry, is a beginning to do exactly what we are talking about. I think the industry is going to get behind this effort significantly and beat the band and raise up the banner and say this is what we have to recognize. It has just been lying dormant for too long.

I can pledge the support certainly of American Express and our industry to try to get this effort off the ground and get it to where we all recognize it should be.

Senator BRYAN. I think it is an impressive first start because unless the industry itself mobilizes the resources that you have in a political sense to make the Members of the Congress aware of its

importance, we are going to struggle every year, as we do, to keep that very minimal funding that Mr. Tisch talked about. In fact, both of you made reference to it.

Let me ask you both one more question and then I will yield my time back to the Chairman and the other Members of the Subcommittee.

We have all talked about the opportunity for expanded travel, about Japan, its governmental commitment, the 10 million travelers each year that are going to be traveling abroad—a good many of them we hope to Nevada.

In our own State, we rank number four among the 50 States in terms of Japanese travel.

You indicated, both of you, that we really are not doing what we ought to do to capitalize on that market. I agree. That is a criticism that is directed not to our Japanese friends but to ourselves.

Specifically, what should we be doing from your perspective?

Let me start with you, Mr. Linen, and ask you to comment as well, Mr. Tisch.

Mr. LINEN. Thank you, Senator.

Specifically, I think there are two or three things that we could do right off the bat.

Number one, we could take a look at the ports of entry, whether they be Los Angeles, San Francisco, Seattle, or wherever, and facilitate both in terms of the ease of entry Customs and immigration wise, as well as maybe having a few Japanese signs around, so that they might feel a little bit more welcome and be able to read their own language.

That leaves a very lasting and positive impression. After all, the best advertisement is somebody who has gone back and had an easy time of getting in and out and had a successful trip.

A second thing would be to work with inbound tour operators, to give them tips on how exactly to promote and to deal with servicing the Japanese, very individualistic and separate in this marketplace.

A third thing I think we ought to look very seriously at is what is the available literature in Japan in terms of promoting the United States. Is it what it should be? How can we augment it? How can we improve on it.

Senator BRYAN. I thank you, Mr. Linen.

Mr. Tisch, are there any thoughts that you might have to share with the Committee on this subject?

Mr. TISCH. Thank you, Senator.

I just think that we have not provided enough money for USTTA to accomplish a job that we, in the industry, feel has a great potential.

Our budget, or their budget, is limited. As I mentioned earlier, other than companies like American Express, which have done a fantastic job, many of us do not have the resources or have the potential resources to go out and find the business of Japan and to ingratiate ourselves with the Japanese people and people throughout the rest of the world to come to the United States.

We think there is a tremendous payback to the United States by spending additional moneys through USTTA to bring this about.

The staff of USTTA and the people at the Department of Commerce, about whom we feel very well, can accomplish the specifics. But without the adequate funds, I don't think we will be able to do much more than we are doing right now.

Senator BRYAN. Thank you very much.

Thank you very much, Mr. Chairman.

Senator ROCKEFELLER. Thank you, Senator Bryan.

Senator Danforth.

Senator DANFORTH. Mr. Linen, I would like to follow up on a point that you made about the reception that foreign visitors get in the United States.

I sometimes have come back to our country having been abroad, having been in many airports in, say, Europe, and cleared Customs over there very easily. I have gotten in a cab, had a cab driver who invariably understands English, seen signs all over about where I am, in my native language, so that I don't have to be a linguist to get around.

Then I come back to the United States and I land in, say, Dulles. The first thing that I have to do is to wait forever to get my bag. Then, once I get my bag and clear Customs, I am able to get my cart, a little pushcart, out to a corridor where posts are erected so that hustling Skycaps, I think they are called, can extract money from me because I have to get my bags off the cart and into their hands.

There are no signs in any other language. Now that might be an exaggeration, but certainly not much.

Then I have either gotten in my car or in a cab at Dulles and driven in. And I have tried to look at what I was seeing from the eyes of somebody who is a visitor. There is absolutely no sign of where you are, how to get where you want to go. There is no help at all.

It just strikes me that, while other countries—I guess by necessity, particularly in Europe because they have a number of different languages and they are very close to each other—seem highly accessible to one another, in our country it is as though the only people we recognize are people who speak the English language.

The idea of arriving at Dulles—and I think the same is true, as a matter of fact at JFK—and having these posts up, so that people can hustle your money from you—it's just the first thing you see when you come into the country—why, it seems to me that we are just not even trying, that it is not even a bona fide effort.

We set up a tourism agency and it is a great idea. The tourism industry is highly organized, and that is wonderful. And yet, it must be swimming against a tremendous current, to try to attract tourism to the United States when everything, every message that we convey to people is that we don't really care about your business, that we don't care about your being here, that we don't speak your language. Just give us a couple of bucks so that we can grab your bag.

That is just my reaction.

You said something on the same order about people arriving from Japan.

I don't know what can be done about all of this. Maybe it is just built into the system here. But it certainly has struck me a number of times coming into this country.

Mr. LINEN. I think you've said it as well, or better, than anybody could say it, Senator.

You speak English. Think about how the Japanese feel coming in.

Senator DANFORTH. Yes.

Mr. LINEN. Don't get me wrong. I think the USTTA¹ has done what it can against great odds to try to mobilize the forces amongst many competing agencies, all of whom are involved in the process, whether it is Immigration or whoever, with people coming into this country.

I think that what we are trying to do here, to establish a national policy, and recognize across all areas of government that this is important and in the national interest and so forth, will begin to help us get some sense of coordination. Right now, it is swimming against the tide.

Senator DANFORTH. Do you think that the foreign visitor at our principal ports of entry, just looking at the way he is treated, views us as a hospitable, warm people who are pleasant to visit? Or does he view us as something else?

Mr. LINEN. I think that the traveler who comes to the United States often, the business traveler or whoever, is immune to it, is used to it. I cannot speak for the casual visitor.

Senator DANFORTH. But we don't want just people who have to come here because they are making money. Don't we want to attract busloads of people?

Mr. LINEN. Exactly.

We want the people who want to expand their horizons, who look at travel as an educational experience and who want to broaden themselves.

Senator DANFORTH. Do they want to come here?

Mr. LINEN. They definitely want to come here. This is a very attractive destination. We just do not make it very easy for them.

I think, hopefully, the experience with Americans, when they get inside the doors, overcomes whatever negative feelings they have as they go through our airports.

Senator DANFORTH. But why should they have to go through this? I mean, the baggage handling experience is just totally ridiculous.

Why should they have to go through that? What are we doing about that?

Mr. LINEN. I quite agree. I wish it would be a whole lot better than it is.

Senator DANFORTH. But what are we doing about that? I mean, just to make people feel wanted when they come here, what are we doing to improve that?

Mr. LINEN. I am really not qualified to answer that question specifically, Senator.

Senator DANFORTH. Do you know, Mr. Tisch?

Mr. TISCH. I can only agree with you, Senator. My experience at Dulles has been civilized, compared to the city I come from.

We in the industry are trying and have tried for years. I think we have made it better. I think we have not done it substantially better and it could be better still.

The travel industry works diligently with the airlines in trying to get this accomplished, with the Port Authority of New York or the Washington Port Authority.

We have been frustrated. We have been fighting it for years.

You summed it up so well, Senator. You said it all, that we have meetings and meetings about it, and it is a matter of the trade unions, a matter of the government people. Like many other things in this great government, we just have to keep working on it to try to improve it.

There is no easy solution. You are 100 percent right. I have seen it, you have seen it, and we all have seen it as we travel throughout the world. We just do not give the people the impression that we want them here.

I know exactly what you mean by the gates. I have been involved with them on many occasions.

Senator DANFORTH. I wish I could come up with something. I am sure there is no easy solution. But I don't get the impression that there is even an effort.

Mr. TISCH. Well, we think there is an effort. We in travel and tourism work at it. We write letters. We try to have meetings with the appropriate people. We have done it, particularly when I was Chairman of the City of New York Convention Bureau, with Charles E. Little, as President, who is here today. We work very hard at it.

We think we get a little better, and you go two steps forward with one step back.

I was in Kennedy, arriving from out of the country just Sunday, and it is a terrible disgrace.

Senator DANFORTH. It is a disgrace.

It is an embarrassment to our country.

You all have pointed out very well the dollars and cents value, the trade deficit, and so on. It is very important. But it is something that is even more important than that.

It is a disgrace to our country. It is a disgrace to our country. It is an insult to have the kind of insensitive, hurly-burly, gypsy atmosphere that exists at points of entry in the United States.

We should be screaming about it. But I don't know who to scream to. Maybe it is the port authorities or the commission that operates the airports here. I don't know who it is. But it really is just a disgrace to the United States of America. It gives us a bad eye. It makes us look bad in the eyes of the world.

I just don't know. Could we have sort of an industry ombudsman that monitors this sort of situation and that is in the constant business of voicing complaints to the relevant people? Could we do that?

Mr. TISCH. Well, I'm sure we do. Speaking for New York and the Convention Bureau in New York, we do it, while not effectively, quite vociferously.

I would hope that during the 20 years I was involved in it that it had gotten somewhat better. But coming back Sunday and seeing

the problems that we have at Kennedy International, I am sorry to say that this is not so.

We have another problem, too, of course, and that is the number of people coming through the airports and the congestion coming out of airports.

The Pan Am terminal, where I was on Sunday, was just not built to handle the number of people who are coming in and the people coming to greet them. To get out is a hassle itself. I mean, you are lucky if you get out. Then, once you get out, you have other problems. But that is different.

Senator DANFORTH. Have you ever seen anything like it in your travels?

Mr. TISCH. No. In no other place.

Senator DANFORTH. Nowhere else in the world is like this, is it?

Mr. TISCH. No.

Senator DANFORTH. Nobody treats people like we do. Isn't that right?

Mr. TISCH. I agree with you 100 percent.

Senator DANFORTH. Is that right, Mr. Linen?

Mr. LINEN. Yes, sir. That's correct.

Senator DANFORTH. Nobody.

I mean, I have been in some of the, say, "least touristy" places in the world, places like, say, Phnom Penh. That looks like a pleasure palace compared to our points of entry.

It is just awful.

Well, thank you for listening to my grouching about this situation.

Mr. LINEN. Senator, if I might, I think you raise an excellent point. Maybe we don't yell and scream enough. I think we try to. Maybe we get immune to it ourselves.

But I think an idea that sort of comes out of what you talk about is that we need to focus, we could focus as part of what we are talking about here, on the quality aspects of the experience, and some sense of a survey or an assurance study or something to measure the attitude that people have coming in in some sense and make sure that we act on those attitudes appropriately. This might be something worth considering.

Senator DANFORTH. Maybe some enterprising person can make a documentary of what it is like to enter this country and then shame the people who are involved in this. I am just thinking off the top of my head.

In any event, I have voiced my concerns. Thank you for listening to me.

Senator ROCKEFELLER. Let me just respond, Jack, for a moment on that.

I think one problem is that because of this magnificent facility we have in Congress for looking realistically at our revenue needs and our budget procedures, we have not spent a dime federally, on a federally built airport, since 1975.

At the same time, we have a huge surplus sitting in the Airport Trust Fund so that we can balance our budget.

Secondly, the Highway Trust Fund to which Jon Linen referred, is exactly the same thing. We have a \$10 billion surplus on that, and the interstate system is almost finished. There is only 800 miles in this entire country yet to be completed, 500 of which are

already under construction. So we are virtually at the end of that. Then we have to rebuild them all over again.

We have a \$10 billion surplus in the Highway Trust Fund. What is it being used for? To reduce the Federal budget deficit so that we can try to convince the American people that we are smarter than they know full well we are.

So that is part of the problem. Part of the solution took place, I think, a couple of years ago when we took away from the Federal Government Dulles and National Airports and gave them to a regional authority on which every single FAA commissioner has had to spend, they said, 25 percent of their time on labor-management relations within one of those airports, details on one of those two airports. So now they are off with a private group that can sell bonds that will have AAA ratings, and they are doing it.

Look what is happening at National Airport. Now they have not gotten to the baggage handling yet because it is an impossibly small airport. They have not gotten to it in Dulles. I can remember when Dulles was a white elephant in the late 1960s.

The private sector, in fact, is doing part of that job by getting it out of the hands of the Federal Government. The fact that we have spent no Federal money enrages me. The airport in Denver which they are going to do is through municipal bonding, no Federal money.

As for the discourtesy, I think it is not only disgraceful for America but what bothers me, frankly, Jack, is that it is incredibly demeaning and disdainful to those who come here to visit us. That is what occurs to me. I am sure it is embarrassing, but it is harmful and demeaning. It belittles them.

It bespeaks of the same sort of American self-confidence and insensitivity which has led to massive trade deficits and shortfalls in terms of research and development and math and science and engineering and technology and all those other things of which we are a part.

In any event, I want to change the name as we redo the 1981 Act to the Tourism Policy and Export Promotion Act. I want to ask both of you gentlemen if you would agree with a couple of things.

Section 3 in that act states that we will have as our purpose the elimination of the travel and tourism export deficit of the United States and to achieve and maintain a travel and tourism export surplus, with heavy emphasis on tourism as trade.

Do you agree with that concept?

Mr. LINEN. Absolutely, Senator. We are already at \$37 billion, as you mentioned. It is the largest single export that we have, and I think we have only scratched the surface.

If we really harness the resources behind it both in industry and in partnership with government, I think there is no telling what we can do to reverse the deficit.

Senator ROCKEFELLER. You would agree, Bob?

Mr. TISCH. Yes, I do.

Senator ROCKEFELLER. It also requires that barriers to international tourism such as you were describing, John, be published in the annual national trade estimate put out by USTR for the first time. They are not now published. In other words, it would be treated as trade.

Mr. LINEN. Correct.

Senator ROCKEFELLER. These often become the basis for bilateral discussions and, therefore, it seems to me, adds a dimension of pressure with respect to some of these.

Italy and Greece restrict the use of credit or cash cards by travelers abroad. Television commercials produced outside Italy are prohibited, so whether or not you could afford to produce them, Bob, Italy would not take them unless they were produced there.

Operation of travel agencies is limited to local nationals in Finland and Portugal, et cetera, et cetera.

You also referred in your testimony, John, to GATT and to problems of being more effective there.

We hope that the GATT negotiations are successful. They take forever. They usually are not. It only represents 7 percent of trade worldwide in the first place.

Is the industry involved in any way in the matter of tourism and GATT, either gentleman?

Mr. TISCH. Not very much so, Mr. Senator. We really have not gotten involved in that. As you say, it is only 7 percent. We in the industry feel we have so much more to do.

Just as an aside, the industry has its own problems, places like Nevada, New York or even here in Washington. With the economic development of the United States and the entrepreneurs we have, we go into something called overbuilding. The tourist industry fortunately is quite healthy, but we think that we are going to see a fall-off because of what we have developed as just too many different areas, hotels, restaurants, et cetera, et cetera.

Senator ROCKEFELLER. Another question to both of you. This bill requires that the USTTA concentrate on those countries where we think we can make the most progress, to have the most return on investment so to speak with respect to tourism.

Now that is a mandate. They have to follow that mandate. Does that strike you as reasonable, or does that strike you as self-limiting?

Mr. LINEN. Senator, I cannot speak for the USTTA here, but from my point of view I think it is a very appropriate way to utilize scarce resources at the moment and to maximize the leverage of every dollar we have to promote this destination to the world. Let us put it where there is the most interest and the most potential for people to come here.

Senator ROCKEFELLER. Every time the word "marketing" appears in the 1981 Act, I want to remove it and substitute the words "trade development".

Does that sound reasonable?

Mr. LINEN. I would applaud that.

Senator ROCKEFELLER. You can tell that I am trying to line up support for my bill here.

Mr. LINEN. We are right behind you, Senator.

Senator ROCKEFELLER. Bob, let me ask you a question. You made an interesting point. You referred to yourself as a small corporation.

Mr. TISCH. A hotel company.

Senator ROCKEFELLER. You are a hotel company.

You said that you could not put money into advertising overseas. Now USTTA has done some very interesting things with New England and with I think it was TWA. TWA, New England and USTTA, which have minute amounts of money, teamed up, and they advertised in New England and there were immediate results. We saw it at the State level when I started advertising when I was Governor of West Virginia. You waited three weeks and, bang, you could just see sales and tourism up by 15 to 20 percent in Harper's Ferry, and then it would just start moving into our State parks.

It is easy. You promote; you get results. You do not promote; you do not get results.

If the USTTA were to have more money, would you then be tempted to commit some of your own if you were, let us say, to hook up with one of the regional areas, which is part of USTTA's philosophy now to market states? You market regions so that the travel agents in Australia, Japan, Brussels, et cetera—the tourist does not know where he wants to go. He has to see the Washington Monument, then maybe down to Williamsburg and, of course, over to the Greenbrier Hotel.

Mr. TISCH. I agree. The answer is yes. I think I can not only talk for Loews but for the industry. The industry will participate. When USTTA or the U.S. Government spends money than the airlines, the hotels, rental car companies, we all join in. The more we can spread our influence throughout the world starting with, as John said, those where we get the most bang for the buck, I feel sure I can commit, the industry will indeed spend more money, as the states will.

If you see potential coming in and the State of West Virginia, State of Nevada feels that there are more and more people coming to it, I am sure that the hotel owners or the rental car company owners will join in.

It is a cumulative effect. Nobody in this industry can do it alone. The only way we can do it is with government funding, and we will all join in and help.

Senator ROCKEFELLER. One final question. If I am not mistaken, 85 percent of Japanese couples that marry take themselves elsewhere out of Japan to honeymoon. That strikes me as a rather intriguing opportunity. I would suspect that Hawaii does rather well by that.

Thinking inductively, to either of you, how, for example, can we better take advantage of this new emphasis on leisure, a shorter work week in Japan, more emphasis building up slowly on consumption, obviously on travel? How can we take better advantage of that?

Mr. TISCH. We are, Mr. Chairman. Hawaii and the West Coast states and Nevada, and I have seen it all over this country—we have it right here in Washington. I have seen more and more tourists from the Far East. I think we are working at it. I think, again, that we will continue to work at it.

The industry is committed. We need them. There is just no question that we need the business from this world. This country does not have enough people to support the facilities we have built over the years in the tourist industry. Every state needs them, and we will continue to work to get more and more of them to come over. I

just cannot emphasize enough that we will support, industry as such will support, the government funding and will put in their own dollars.

Mr. LINEN. Mr. Chairman, if I may, I think there are instances, whether it is Loews or Hawaii or Las Vegas, where there has been a terrific job of focusing in on the opportunity in the Japanese marketplace.

The facts are as you have stated. There are 10 million Japanese who are traveling internationally every year, and we are not getting our fair share. We as an industry, whether in government partnership or not, have just not concentrated our efforts to target and prioritize that opportunity as we should. There is more being done by individuals who recognize the market. If we harness our resources, we can do a much better job of it.

Senator ROCKEFELLER. I thank you both, and I would say to you both that this subcommittee is absolutely determined to be completely and aggressively supportive in the types of problems and the types of opportunities that both of you gentlemen have effectively put before us this morning.

I thank you very, very much.

Our next panel is Mr. Ted Kleisner, who is President and Managing Director of the Greenbrier Hotel in the State of West Virginia; Mr. Phil Bryan, who is CEO and General Manager of Peppermill Hotel/Casino, Reno, Nevada; and Mr. Gerald Petitt, Executive Vice President and CEO of Quality International, Incorporated.

Gentlemen, we welcome you.

Ted, why do we not begin with you?

STATEMENT OF TED J. KLEISNER, PRESIDENT AND MANAGING DIRECTOR, THE GREENBRIER

Mr. KLEISNER. Thank you, Senator.

It is a real honor to be here before your committee today. And to offer a few points from West Virginia.

I will offer a few view points from West Virginia as to our outlook toward the future of our industry.

I am Ted Kleisner. And I am president and manager of the Greenbrier in White Sulphur Springs, West Virginia. I am also president of CSX resorts, that owns and operates in addition to the Greenbrier, the Grand Teton Lodge Company, in the Grand Teton National Park, and the Carambola Beach Resort and Gulf Club on the U.S. Virgin Island of St. Croix.

I would like to offer a summary statement this morning, Senator. I ask that my full statement be recorded in the record.

As the operator of a resort with beginnings that date back more than 200 years, the Greenbrier has played a significant role in the history of tourism in the United States and especially West Virginia. Today the United States cannot overlook the importance of the travel industry to our nation. Employing over five million people, the industry is second only to health services in private employment.

And for every 11 travel industry jobs another five industry-related jobs are generated. Over the past 10 years, travel industry receipts have grown over 150 percent, making up 6.6 percent of the

U.S. GNP—a major contribution to a country faced with a staggering federal deficit.

Likewise, the travel industry plays a vital role in the State of West Virginia, employing 29,800 people in 1987, and generating \$130 million in local, state and federal tax dollars. The Greenbrier plays a significant role in West Virginia's tourism industry, employing 1,500 people, and generating an estimated \$5.5 million in state taxes for 1989.

However, it takes effective marketing efforts to bring people to the Greenbrier and to our great state. The state will spend a projected \$2.2 million in 1989 to market tourism, but West Virginia is still 38th among states in tourism and advertising budgets. The good news is that compared to 10 years ago, the state's travel and tourism revenue has increased 300 percent. And tourism is today the largest private sector employer in West Virginia.

The state currently has no funds budgeted for foreign promotions and therefore it is not surprising that West Virginia ranks 50th among states in the U.S. for foreign visitor spending. The time when foreign visitation is the fastest growing segment of the U.S. travel industry, America currently suffers a \$2.9 billion travel deficit, because the number of Americans who travel abroad far exceeds the number of foreign visitors who come here.

Other countries are spending millions more—millions more dollars, than is the United States on tourism marketing. Thus earning the U.S. a ranking below countries such as Thailand and Pakistan, in terms of per capita spending by national government tourism organizations.

And the numbers prove that our country's marketing efforts are paying off, that other country's marketing efforts are paying off. In 1988 Americans spent \$40 billion in other countries and are expected to spend more in the future. We must do all we can to capture the U.S. market share of tourism dollars. Creation of the USTTA is a step in the right direction, but more dollars must be allocated to create a vigorous world marketing strategy.

Thank you, Senator.

[The statement and questions and answers follow:]

STATEMENT OF TED. J. KLEISNER, PRESIDENT AND MANAGING DIRECTOR, THE GREENBRIER, PRESIDENT, CSX RESORTS

Good morning Senator Rockefeller and members of the Subcommittee on Foreign Commerce and Tourism. It is an honor and a privilege for me to represent the American Hotel and Motel Association and to have this opportunity to discuss with you today the status of and trends within the U.S. tourism industry as you step back and take a look at where the industry has been and where we are headed in the future.

My name is Ted Kleisner, president and managing director of the Greenbrier in White Sulphur Springs, West Virginia, and president of CSX Resorts which owns and operates, in addition to the Greenbrier, the Grand Teton Lodge Co. in Wyoming's Grand Teton Mountains and the Carambola Beach Resort and Golf Club in the U.S. Virgin Islands. As the operator of a resort with beginnings that date back more than 200 years, the Greenbrier has played a significant role in the history of tourism in the United States, and especially in the State of West Virginia.

I'm sure it comes as no surprise to say that travel and tourism is fast becoming the world's largest industry. It is certainly one of the most competitive and most global of all industries. In the United States alone, tourism is the third largest retail or service industry.

Today, a traveler can get a package tour to almost anywhere in the world and as a resort operator, it is our job to help the potential traveler make sense of this huge and complex market of unlimited choices.

The travel and tourism industry is comprised of many elements vital to the health of the U.S. economy. According to the Travel and Tourism Government Affairs Council, the United States travel industry is second only to health services in private employment in the nation—employing over five million people—a figure exceeding the population of 70 countries combined. In turn, each 11 jobs in the travel and tourism industry generates another 5 jobs in businesses supplying goods and services to the industry. That translates into more than 2 million jobs and in 1988, it translated into the generation of \$324 billion.

In 37 States, travel and tourism generates more dollar receipts than agriculture. Over the past 10 years, travel industry receipts have grown from 200 billion dollars in 1980 to 350 billion dollars by the end of 1989—a 75 percent increase. These travel receipts make up 6.4 percent of the United States GNP—a major contribution to a country faced with staggering Federal deficit.

Likewise in the State of West Virginia, the travel industry plays a vital role in the State's economic health. In 1987, 29,800 people were employed in the travel industry in West Virginia. . . . for a total industry payroll of \$256 million. In that same year, \$130 million in local, State and Federal tax dollars were generated from West Virginia's travel industry.

As one of the major tourist attractions in the State, the Greenbrier plays a significant role in the State's tourism industry, employing 1,500 people and generating an estimated 5.5 million in State tax dollars this year.

However, visitors don't come to our resort or to our great State without some very persuasive and effective marketing efforts. The marketing budget for the State's tourism program was \$1,789,791 in 1988 and projected at \$2,245,234 for 1989. The projected advertising budget alone for 1989 is \$700,000, ranking West Virginia 38th among States in tourism advertising budgets. Although \$700,000 is a drop in the bucket as far as State tourism advertising budgets go, it does represent a 186 percent increase from the State's 1988 advertising budget. So we are moving in the right direction.

As West Virginia's travel and tourism budget is fully funded by the State, the significance of providing ample resources for advertising campaigns cannot be overlooked. An example of the high return on advertising dollars spent on tourism is West Virginia's 1986 ski campaign. For every dollar spent on advertising, \$5.52 was generated in sales tax revenue.

In 1988, 91 percent of the State's tourism budget was directed toward the 25 million out-of-State visitors who spent \$1.7 billion at West Virginia's tourist attractions. From 10 years ago, West Virginia's travel and tourism revenue has increased 300 percent and tourism is today the largest private sector employer in the State.

However, over the past few years, dollars allocated for in-State advertising has steadily decreased and no money is currently budgeted for foreign promotions, which leads me to my next point.

At a time when the travel industry as a whole has seen the positive economic impact of attracting foreign visitors to the U.S., West Virginia ranked 50th in the United States in terms of foreign visitor spending in 1986. In West Virginia, \$11 million were generated by foreign visitors compared to \$55 million in Illinois; \$167 million in Texas; \$215 million in Florida and in New York, \$273 million. As they say, nothing ventured, nothing gained.

Over the past 10 years, we have seen a dramatic increase in the number of foreign guests at the Greenbrier, and currently we have stepped-up our international marketing efforts by joining leading hotels of the world which offers worldwide advertising exposure. The point is that winning the attention of foreign guests does not come without making an investment in trying to reach them through aggressive self-promotion.

In the United States, foreign visitation is the fastest growing segment of the travel industry. In fact, the U.S. Government collected enough tax revenues from foreign visitors in 1987 to fund the entire Federal tourism effort at its current level through the year 2068.

However, the number of Americans who travel abroad far exceeds the number of foreign visitors who come here. Because of this fact, America suffers a \$2.9 billion travel deficit. In 1988, our market share was the lowest market share in over 10 years.

Although all parts of the travel and tourism industry are competing for tourist dollars the most competition is among destinations and in particular, foreign destinations. Countries such as Jamaica, Australia and Canada are very aggressive in

their marketing efforts and their governments are spending millions more dollars on marketing than is the United States.

For example, the Travel and Tourism Government Affairs Council reported that Italy spent nearly \$100 million on its 1985 marketing campaign compared to \$12 million spent by the United States. That ranks the United States 46th among countries ranked for per capita spending by national government tourism organizations in 1985. Jamaica topped off the list spending \$8.87 per person on tourism compared to \$.05 spent by the United States. That ranked the United States' per capita spending by national government tourism organizations below countries such as Thailand and Pakistan.

Americans spend \$870 million a day on travel and tourism. Of the United States adult population, approximately one-third travel abroad. In 1988, Americans spent \$40 billion in other countries. And the rate at which Americans are spending travel dollars in other countries is accelerating. The U.S.T.T.A. expects about a 4 percent increase in American travel dollars spent in foreign countries next year, compared to about 1 percent increase this year.

And it seems that marketing efforts by foreign countries are paying off. In 1987, 12,420,000 United States citizens spent their travel dollars in Canada—the top foreign visitor generating country that year.

We must do all we can to catch up with the rest of the world. It is enlightening that the United States Government recognizes the importance of capturing its share of international tourist dollars, and the creation of the U.S.T.T.A. is a step in the right direction. But more funding must be allocated to the U.S.T.T.A. to create a vigorous world marketing strategy.

Although West Virginia may be America's best kept secret, it seems that the United States may be the world's best kept secret. Secrets with the potential for generating hundreds of billions of dollars in the U.S. economy must be told.

Senator, thank you for your time and the opportunity to appear before your subcommittee today.

QUESTIONS OF SENATOR ROCKEFELLER AND THE ANSWERS THERETO

Question. Ted, if I may digress for a moment. I know you returned from the island of St. Croix today to appear before this subcommittee. Could you please give us an update as to the condition of the island and its people following the recent hurricane?

Answer. Mr. chairman, I've spent the past three days on St. Croix and am happy to report that one of the island's major tourist destinations, Carambola Beach Resort and Golf Club for which the Greenbrier has assumed the management contract, fared very well compared to other structures on the island. At the time of the hurricane, guests were at the resort and all came through without injury and are now safely off the island. Although Carambola suffered considerable structural damage, we are optimistic about its future and intend to have it fully operational sometime during the first six months of 1990.

However, the island itself was not so fortunate and most private businesses and homes have experienced total devastation.

Question. What, in your opinion, is the likelihood that St. Croix will be able to open to tourism for the winter season?

Answer. Right now, the island is totally dependent upon the United States' military presence and disaster relief efforts. If that aid were removed tomorrow, it would seriously hamper the island's ability to restore not only normal tourism services, but for the islanders to rebuild private homes and lives. I would like to clearly state that reports in the media about the island's condition and activities going on there have been greatly exaggerated. I personally observed a great deal of camaraderie between the islanders and those providing disaster relief and military aid. Everyone on the island has taken an attitude of responsibility for restoring the island and there is a great spirit of teamwork and people pulling together all over the island. I think if relief efforts continue, we can expect tourists to return to the island in the very near future.

Senator ROCKEFELLER. Senator Bentsen has called a meeting, an emergency meeting which will begin in 10 minutes. Thankfully, Senator Bryan will chair this committee until I can come back. But I wanted to ask one or two questions of you to make sure that I had a chance to do so.

In the first place, one of the things about the travel and tourism industry and its image is that it is not considered as seriously as it should be, because it is considered to be an area where there are not sufficiently high paying jobs, and where there is not sufficient sort of continuity, the seasonal aspect of it, and all the rest.

I find that frankly, rather an obstacle, and I find it wrong. I would like to have you help me prove it wrong.

Mr. KLEISNER. Thank you, Senator. I would be happy to do so.

You are quite correct, that it is perceived as a low-paying industry and indeed there are segments that are in the minimum wage area. However, to focus on the Greenbrier valley, for example, the 1,500 jobs at the Greenbrier, 99 percent of those are jobs that are filled by people who have been born and reared in the Greenbrier valley. They gave up jobs in the mines to come and work at the Greenbrier. And we were only too happy to train former coal miners to do French service in our restaurants. And they did it because they are making more money and because they know the stability of our industry and the stability of the company they are working for.

Senator ROCKEFELLER. Would you care to help me a little bit more.

Tourism provides good stable jobs; it is recession proof. You know, coal mines close down when people start substituting plastics and polymers for steel. There is less coal mined, and then it closes down. It used be when Solidarity went on strike, coal mines opened in southern West Virginia because Solidarity would then walk out of the mines.

Well, now they have peace, so the mines are working in Poland, and they are closing down in southern West Virginia. I do not mean to make a exact comparison. But the recession proof nature of the industry is a job guarantee like no other industry has. Is it not?

Mr. KLEISNER. It is not only stable, but the growth that we are seeing in the near term is incredible right now. I know of few other industries that are growing the way we are, and offer great opportunities for people entering the industry at every level of jobs within our industry.

Senator ROCKEFELLER. In the 1982 and 1983 recession in West Virginia, where unemployment went to 21 percent, and I was governor at the time, and I will never forget that if I live to be 98 years old, I do not think that happened in the recreation and tourism industry in West Virginia, or any of our contiguous areas. Did it?

Mr. KLEISNER. It clearly did not. In fact, employment rose during that same period in our industry and in West Virginia.

Senator ROCKEFELLER. That point needs to be made. That it is a recession-proof reliable industry. Not just that it employs more people than any other in the United States, which is a dynamite fact. But that it survives, it is growing.

Adversity in the economy does not affect it. Well, thank you for making that point. You went to the University of Denver for training in the management of hotels and restaurants.

Mr. KLEISNER. That is right.

Senator ROCKEFELLER. What I am curious about is, in the academic training of those who run our travel and tourism industry, that is those who take it and do it, are they current in international implications of tourism? Are they training as they should be? You know, business schools are now having to re-evaluate what they have been doing because of the changing nature of the world. Is travel and tourism, as an academic pursuit, keeping up with the trends?

Mr. KLEISNER. In my opinion, no, it is not. Admittedly, I am not close to the academic side of things. During my own experience in attending the hotel school at the University of Denver, no, there was a void there, as far as focus on the international spectrum.

Today, there are more hotel schools associated with universities than ever before. And I think that the industry needs to bring a focus to the academicians on the international spectrum.

Senator ROCKEFELLER. Thank you, Ted.

Mr. Pettitt, my apologies.

STATEMENT OF GERALD W. PETITT, EXECUTIVE VICE PRESIDENT, CHIEF OPERATING OFFICER, QUALITY INTERNATIONAL

Mr. PETITT. Thank you, Mr. Chairman.

I am honored to appear before you this morning to discuss the importance of trade and travel and tourism to the nation's economy.

With the recent sales of Ramada and Holiday Inns to overseas interests, my company, Quality International, has become the world's largest U.S. owned lodging company, with over 1,300 locations.

From that position, we are obviously tremendously concerned about our country's ability to compete in the world tourism marketplace. It is no secret to anyone in this room, that tourism is emerging as one of the most important industries of the world. It is the number one employer in most countries. In the United States, it is at least number two perhaps number one, employing better than 6 million people. Spending by the world's 400 million travelers annually contributes roughly 10 percent to 12 percent of the world's gross product. That is about \$20 trillion.

In the U.S., international visitors spent the \$37 billion that we have talked about before this morning. And that is an important factor in adjusting our international trade imbalance. Last year, international guests accounted for about 78 million room nights in the United States hotels. And yet 350 million room nights or hotel rooms went unsold last year. Clearly, we need those international travelers. We need them in West Virginia, in Nevada, all over the country.

In the past nine years, since I joined Quality, our international expansion of hotels in international locations has been rapid. We now have offices in 10 different countries and we franchise some 150 hotels in 18 foreign countries. Part of the rationale for that expansion was to fly our company's flag and our country's flag in those other parts of the world, thus familiarizing potential travelers with our kind of product.

Ours is a franchise company. We rely heavily on brand name recognition, on global marketing and an ability to provide reservation services and other services to our clientele. And we believe that a traveler who enjoys our Quality Inn in Paris will be more likely to choose one of our products in the U.S. And the travel agent in London that books a Munich property, is also going to book properties in Washington or West Virginia.

We have spent a good deal of time educating our 1,100 domestic licensees. They are located in all 50 states. Each of them are small businessmen who own and operate their own business. As to the importance of marketing to the international traveler, we urge them to attend the major international trade shows like ITB in Berlin, or world travel market. But we need the assistance of the USTTA for instance, to be effective in that effort.

USTTA has taken the lead in encouraging partnership between the public and private sectors to stretch the tourism dollars, and we have joined a number of those promotions, including a trade mission a year or so ago to London and Frankfurt with 10 other large lodging organizations, to promote our idea of hotel segmentation in the U.S., all the way from luxury to budget properties.

But those efforts are no match to the large tourism budget that USTTA and the industry partners go up against around the world. A visit to a trade show, like ITB in Berlin, is tremendously educational. Countries like Finland or Spain have creative, exciting exhibits to draw tourists. It is an extremely competitive worldwide market that we are dealing with.

When international guests reach the U.S., they do not leave their culture behind, their language or their culinary tastes behind, and we have to react to that. We need to respond to those needs, if we want those international visitors to come back. And we need them to come back.

So it is to our advantage as an industry and as a government not only to provide the obvious, a high quality tourism product, but also access to our culture. In the recent news reports that we have all seen from China and East Germany and Poland, you are struck by the desire of the people that are interviewed to travel and experience more of what we have in the free world. And for centuries travel has played a significant role in breaking down barriers between people, and cultures and nations.

So I would urge you, Mr. Chairman, and to the other members of this committee, to assist our industry in expanding the role of travel and tourism, and reducing our trade deficit and generating jobs, and also binding our world culture together.

Thank you.

[The statement follows:]

Gerald W. Petitt
Quality International
September 27, 1989

Dear Mr. Chairman and distinguished members of the committee:

My name is Gerald W. Petitt, executive vice president and chief operating officer of Quality International. I am honored to appear before you this morning as a representative of the American Hotel and Motel Association to talk about the importance of travel and tourism to this nation's economy.

With the recent sales of Holiday Inns and Ramada, my company, Quality International has become the world's largest U.S. owned lodging chain in the world. From this leadership position, we are tremendously concerned about this country's ability to compete in the world marketplace for the available tourism dollars.

Having worked in the tourism industry for 20 years, and as a member of USTTA's Travel and Tourism Advisory Board, I have had the opportunity to become intimately familiar with some of the more significant world tourism statistics and to be briefed on the good work that Under Secretary Schnabel and his predecessors have undertaken.

It is no secret to anyone in this room that tourism is emerging as one of the most important industries in the world. In most countries it is the number one employer. In the U.S., it ranks number two, behind healthcare, employing approximately six million people.

Spending by the world's 400 million travelers - both domestic and international -- contributes roughly 10 to 12 percent of the world gross product. That is about \$20 trillion.

In the U.S., international visitors spent an estimated \$37.1 billion in 1988 - a 25 percent increase over the year before. Last year, international guests accounted for nearly 78 million room nights in the U.S. hotels. Yet, at the same time one million hotel rooms in the U.S. go unsold each night or 350 million rooms a year.

Ours is a very competitive industry, which is good news for our customers. It is a buyer's market for both domestic and international travelers.

In terms of international trade, we should not underestimate the importance of tourism services. New tourism figures place overseas visitation into the U.S. as a greater export revenue generator than agriculture, chemicals and motor vehicles.

Unfortunately, too few people recognize the important role tourism plays in adjusting our trade imbalance, particularly considering the tendency of our countrymen to travel.

As an international hotel company, we look carefully at this nation's position on the world tourism stage.

In the past nine years since I joined Quality, our international expansion has been rapid and significant. We now have offices in ten countries and franchise 154 Sleep Inns, Comfort Inns, Quality Inns, and Clarion Hotels in 18 countries outside the U.S. The world truly is our marketplace.

Part of the rationale for our international expansion has been to fly our company's flag and our country's flag in other parts of the world; thus familiarizing potential travelers with our product. Ours is a franchise company that relies heavily on name brand recognition, global marketing strategies and our ability to provide worldwide reservations services.

Simplified, we believe that the traveler who enjoys our Quality Inn in Paris will be more likely to choose our products in the U.S. and the travel agent in London who books our Munich property will also book one of our Orlando locations.

We have spent a good deal of time educating our domestic licensees as to the importance of marketing to and providing services for the international traveler.

We urge them to attend the major international trade shows such as ITB in Berlin, World Travel Market in London, Jata in Tokyo and USTTA'S February conference on international tourism and marketing. Our company representatives are always there speaking for the chain as a whole, but there is certainly strength, as you well know, in grass roots numbers.

USTTA has taken the lead in encouraging public/private partnerships as a means of stretching the tourism marketing dollars. Quality has joined in a number of joint promotions. We participated in a successful trade mission to London and Frankfurt joining forces with ten other lodging organizations to promote the concept of hotel segmentation, an idea our company introduced in 1981 with our Quality, Comfort, Clarion and Sleep brands.

Among the successes that can be attributed to that trip alone, were the educational inroads made by meeting with press and trade representatives to familiarize them with the economy segment of the lodging industry. Previously, few members of this segment could justify individual hotel sales abroad, but this joint effort made providing the product knowledge possible.

USTTA has urged state and local governments to look to tourism services as a means of broadening their economic base. Again, public/private promotional partnerships have been utilized to stretch resources and our Comforts, Qualitys and Clarions have been a part of such efforts.

But these honorable efforts are no match for the large tourism budgets USTTA and its industry partners must go up against. America can stretch its entrepreneurial spirit and creativity to make up for some of our financial lacking, but even these considerable resources run only so deep. Sadly, the U.S. tourism budget ranks 19 on the world list. A visit to a major trade show like ITB in Berlin is educational. Countries like Finland or Spain have huge creative, exciting exhibits to draw tourists. It is an extremely competitive worldwide tourism market.

USTTA research indicates that the majority of travelers surveyed list the U.S. among the top five of those destinations they would most like to visit on holiday. On the list of things we can do to boost inbound tourism figures is to make sure that those who do come, want to come back - and bring their friends.

As we've discussed with our domestic Comfort, Quality and Clarion licensees, learning to serve our international guests means doing research, paying attention to details and sometimes increasing our costs.

When international guests reach the U.S., they do not leave their culture, their language, their culinary tastes or their sense of order behind. And they do come with great expectations for the United States of America -- as well they should.

Most properties, particularly those in the gateways, have bilingual staff or access to a translation service. There are hotlines available that allow front desk personnel to gain immediate access to a translator whenever or wherever those services are needed.

Hotel managers and their restaurants are providing more international menu selections and are willing to adapt to specific dietary requests.

Those that cater to Asian guests make sure these visitors find baths as well as showers in their rooms and their staffs are trained to minimally understand the cultural differences.

All in all, we want to make our international visitors feel welcome -- because we want them to come back.

It is to our advantage as an industry and as a government not only to provide the obvious -- a high quality tourism product but also access to our culture.

In the recent news reports out of China, East Germany and Poland -- over and over again I was struck by the desire of those people interviewed to travel and to experience more of the free world -- of our world.

For centuries, travel has played a significant role in breaking down barriers -- real and imagined -- between people, cultures and nations.

Mr. Chairman, I urge you, members of this committee and members of Congress to assist our industry in expanding the role of travel and tourism in the reduction of our trade deficit and in binding world cultures together.

Senator ROCKEFELLER. Thank you very much. Mr. Bryan.

**STATEMENT OF PHIL BRYAN, GENERAL MANAGER AND CHIEF
EXECUTIVE OFFICER, PEPPERMILL HOTEL CASINO**

Mr. BRYAN. Good morning, Senator Rockefeller and Senator Bryan. I am Phil Bryan, CEO and general manager of the Peppermill Hotel Casino in Reno, Nevada.

The Peppermill has some 20 properties in California, Nevada and Colorado. I am the immediate past president of the Gaming Industry Association and have served on the Governor's Committee to Study Fiscal Affairs in Nevada. I currently serve on the Reno Sparks Chamber of Commerce Board, the Reno Sparks Convention and Visitors Authority Marketing Committee and the University of Nevada-Reno Foundation Board.

It is a pleasure to be here with our distinguished Senator from Nevada, Richard Bryan. We believe much of the strong development of the Nevada tourism/hospitality industry over the last six years is due to our newly-elected Senator's leadership when as governor he established the Nevada Commission on Tourism and followed through with necessary funding and resources.

Our experience in Nevada has shown us that our tourism and visitor strength as the number one tourism dependent state is a product of several factors, not least among those is the growth of supportive policies reinforcing travel and tourism as economic, cultural and social assets in the fabric of our society.

However, we need to recognize that the deep saturation of tourism and travel throughout our growing service economy is for many a matter of economic survival. Increased funding support of the USTTA needs as high a priority as trade and national security.

Elimination—and I refer back to the previous dialogue between Senator Danforth and the previous panel. Maybe I can reinforce that. Elimination of all informational and educational barriers should be part of overall tourism strategy and policy. A common-sense approach to information and public relations is a priority. We must instil a sense of urgency, excitement, even passion, to everyone involved in tourism development.

Meeting with school administrators and teachers convinces me that education and information in all school systems, all branches of government, needs to be developed emphasizing the cultural, social and economic significance of tourism and travel.

Most people we have talked to have little idea of tourism's economic significance. They need to hear it in the schools. We take the message to the schools in northern Nevada as partners in education every day.

An example revealing to us the relative de-emphasis of tourism is that only a few specialists are stationed in consulates world wide. Virtually every consulate has trade specialists.

We should educate, or add tourism specialists as rapidly as possible. They must be focused on the extraordinary importance of tourism information. Information and public relations are the names of the game in international tourism today.

In bilateral agreements, the tourism administration needs to maximize our policy interests. If restrictions on routes or flights

are designed for the airlines without our destinations' total needs being considered, then the market forces for tourism expansion will be restricted. We need to support our domestic carriers, but in an open, competitive environment.

Some rules relaxation on foreign carrier access to our interior destinations would increase tourism. Bilateral agreements would ensure our equal access to foreign destinations. Destination and tourism representatives are especially important in the early talks to maximize the goals of high visitor counts.

A relaxation of cabotage restrictions would open up new markets in the Reno-Sparks area particularly and both Canada and the Far East in a very short time, as an example.

The same logic applies to travel and visa restrictions as one of the best ways our government can immediately impact the marketplace. Another example, the Peppermill Group plans to take advantage of the newly-relaxed Korean travel policies.

Our international experience in the Peppermill Group has been somewhat limited to Canada. Northern Nevada has not had the resources or partnership commitment to develop the Far East or Japan. However, the Peppermill Group believes there is a strong potential for northern Nevada to attract visitors, especially from Japan, because of our great scenic beauty.

We would be greatly encouraged in our regional efforts by a stronger national policy commitment. We do expect to do very well internationally in southern Nevada in our company in the Las Vegas-Clark County area because of the strong public-private promotional efforts in the Far East.

A growing trend toward partnerships in regional interests is a wide-open area for Federal participation. Joining up with regional groups such as the seven states' U.S. West could only result in a faster achievement of all of the goals of the 1981 National Tourism Policy Act.

In northern Nevada, our life-line, Interstate 80 from the San Francisco area, is restricted now because of current heavy construction. Earlier planning for continued maintenance and reconstruction of highways, especially from gateway cities such as San Francisco, should include a tourism component.

Perhaps a point system could be designated early on for critical highways which serve all gateway cities. Such a system could determine the level and type of funding by the tourism component and help avoid the kind of problems and surprises we face in northern Nevada and our entire Sierra region of California and Nevada today.

In northern Nevada, alternately, we have been working to expand rail travel from the San Francisco Bay area through continued "Fun Train" development. These trains pass through some of the most beautiful country in the world—the Sierra Nevadas.

What better way to show off our country than by encouraging large, foreign tourist groups to travel on sightseeing trains to their destinations throughout the country. This is just another good example of aid through information.

What my report all boils down to is more money to create more and better information, including education, in order to better co-

ordinate and energize our transportation access and administrative infrastructure in favor of an open international tourism policy.

Thank you.

[The statement follows:]

STATEMENT OF PHIL BRYAN, GENERAL MANAGER AND CEO, PEPPERMILL HOTEL CASINO

Good morning, Chairman Rockefeller and members of the Senate Subcommittee on Foreign Commerce and Tourism. I am Phil Bryan, general manager and chief executive officer of the Peppermill Hotel Casino in Reno, Nevada. I am the immediate past president of the Gaming Industry Association of Nevada and served recently on the Governor's Committee to study Fiscal Affairs of State and Local Government in Nevada. I currently enjoy serving on the Reno-Sparks Convention and Visitors Authority's marketing committee, the Reno-Sparks Chamber of Commerce Board, the University of Nevada-Reno Foundation Board.

It is a pleasure to be here with our distinguished Senator from Nevada, Richard Bryan. We believe much of the strong development of the Nevada tourism/hospitality industry over the last six years is due to our newly elected senator's leadership when as governor, he established the Nevada Commission on Tourism and followed through with necessary funding and resources.

Our experience in Nevada has shown us that our tourism and visitor strength as the number one tourism dependent state is a product of several factors. Not least among them is the growth of supportive national and state policies reinforcing travel and tourism as economic, cultural, and social assets in the fabric of our society.

Nevada has discovered that, aside from the development of our total tourism product and resource base, most important is a well-

funded travel and tourism infrastructure. Federal funding, transportation, informational distribution and access, nonrestrictive regulations on travelers and carriers, environmental needs, removal of language barriers, and the attitudes of our citizens within and without our borders are all factors which deeply affect our tourism position in the world markets.

We need to recognize at all levels of government that the deep saturation of tourism and travel throughout our growing service-based economy is not only a matter of cultural enhancement, but for many a matter of economic survival. Increased funding support of the United States Travel and Tourism Administration needs to become as high a priority as trade and national security. The Federal tourism budget is grossly underfunded. Our current annual budget of approximately \$13.8 million, means only 5 cents per capita spent on tourism. Tourism is one of the top employers in the United States, especially in tourism dependent states like Nevada. Tourism is the single largest source of export revenues in the United States. But much of the money now provided for the USTTA is spent on administrative costs, including office and travel expenses. We really need to be spending our dollars on getting the message into the tourism marketplace.

The closing down of walk-in USTTA information centers in Tokyo and other cities throughout the world a few years ago is a good example of our weak policy. As we understand, there were both national security and economic reasons for the shutdown, and many of the offices have been reopened. But the impact of shutting down people

talking to people about our country and its great tourism products, services, and destinations can never be measured. In those same information offices every effort must be made to train the personnel in the extraordinary importance of their jobs. A proactive attitude in carrying out their educational and informational duties is a real priority.

Another example revealing to us the relative de-emphasis of tourism is that only a few tourism specialists are stationed in consulates worldwide. Virtually, every consulate has trade specialists and specialists in other areas. We should educate or add tourism specialists as rapidly as possible.

As bilateral agreements are developed, the USTTA needs to have a clear role in the negotiations in order to maximize our tourism interests. If restrictions on routes or flights are designed for the airline carriers without our destination's total needs being fully considered, then the market forces producing tourism expansion will be restricted. We need to support our domestic carriers, but in an open, competitive environment. Some rules relaxation on foreign carrier access to our interior destinations would increase tourism. Bilateral agreements would ensure our equal access to foreign destinations. Destination and USTTA representatives are especially important in the early stages to maximize the goals of high visitor counts.

We need to expand our visa waiver program as rapidly as possible in all countries where we can, where there is no national security

threat or potential competition in our labor market, especially in countries where we already have strong relationships. Easing of travel and visa restrictions is one of the best ways our government can immediately impact the marketplace. As an example, the Peppermill group plans to take advantage of the newly relaxed Korean travel policies in our developing Pacific Rim effort.

Our international experience in the Peppermill group has been somewhat limited to the well developed Canadian travel market. We have tentatively explored the best method for entering the Pacific Rim, but are hesitant due to the general lack of education, awareness and commitment in northern Nevada. In southern Nevada, we anticipate a growing Japanese market for the Peppermill Resort Casino located near the Arizona, Nevada, Utah borders.

Southern Nevada has well developed international markets, particularly in Japan, partly as a result of the public/private partnership in the Nevada office in Tokyo. Many southern Nevada properties travel in sales partnerships throughout the Far East. Northern Nevada has not had the resources or partnership commitment to develop the markets, however the Peppermill group believes there is a strong potential for northern Nevada to attract visitors from the Far East, especially because of our great scenic beauty. We would be greatly encouraged in our efforts by a stronger national policy commitment.

A growing trend toward partnerships and regional interests is a wide open area for federal encouragement and participation. A strong

partnership and dialogue with the seven western states group, U.S. West, could only result in a faster achievement of the multiple goals set forth in the 1981 "National Tourism Policy Act." The combined efforts of federal/regional partnership, would result in more focused leadership, economic satisfaction, and resource/funding development.

Elimination of all informational and educational barriers should be part of overall tourism strategy and policy. A common sense approach to information and public relations is a priority. We must instill a sense of urgency, excitement, and passion to everyone involved in tourism development.

Education and information in all school systems and all branches of government needs to be developed emphasizing the cultural, social, and economic significance of tourism and travel. We need especially to recognize and reinforce tourism as a legitimate and desirable goal in reducing the national deficit. Tourism, for example, is currently the most positive part of our specific trade equation with Japan. Quoting the 1981 Act:

"There is established a national tourism policy to - (1) optimize the contribution of the tourism and recreation industries to economic prosperity, full employment, and the international balance of payments of the United States;"

We need to put more funding horsepower behind tourism and treat it as the most important component in the international trade equation.

Continued strengthening of conservation, National Parks, and National Forest policies is very important for environmental and land use considerations, but critically important now for the future of national and international tourism. The natural beauty and grandeur of the United States will become a source of refreshment and wonder to people from all over the world as travel barriers are lifted in the coming years. Imagine the population of the dense cities of the Pacific Rim viewing the natural wonders of the United States for the first time. With properly developed information policies, transportation policies, and travel policies the United States should not only overcome its deficit in world travel, but also become a source of inspiration and life giving recreational refreshment to world citizens now and for generations to come.

In northern Nevada, our main interstate artery, I-80, is restricted because of current heavy construction. Early planning for continued maintenance and reconstruction of highways, especially from western gateway cities, should include a tourism component. Perhaps a tourism factor - some kind of point system - could be designated early on for critical interstate highways which serve all gateway cities. Such a point system, or some other method, could determine the level of funding by the tourism component.

Rail travel is recognized and accepted in Europe and the Far East, especially in Japan, as a desirable means of transportation. A program to develop a stronger tourism component in our national rail

system would be attractive and familiar to world visitors. A good comparison is the highly successful Eurorail program that has enhanced open travel and tourism throughout Western Europe.

In northern Nevada we have been working to expand rail travel from the San Francisco Bay area through continued "Fun Train" development. These trains pass through some of the most beautiful country in the world - the Sierra Nevadas. What better way to show off our entire country than by encouraging large tourist groups to travel on sightseeing trains to their destinations.

Increased funding from local, regional and national sources is needed to improve tourism signage policies on highways, at airports, scenic locations, cultural centers and many other locations. Appropriate multilingual approaches need to be improved. But, most importantly, the intent of the 1981 act and the current act revision needs to be fully implemented through a dedicated, consistent, and long-term funding program.

Senator BRYAN [presiding]. Thank you, Mr. Bryan. First let me ask this question. You talked a little bit about your own personal experience, moving from the academic environment of the hotel school that you attended, which I believe was with the University of Denver I think you indicated to us, expanded upon that by indicating that there are a number of schools that now have such schools—the University of Nevada, Las Vegas, is one that comes to my mind.

What, if anything, does the industry do to work with the academic community to make sure that that academic experience is relevant to the kinds of things that you must deal with in terms of foreign travel, hospitality, that type of thing? Is there any formal network at all, or mechanism, that you are aware of?

Mr. KLEISNER. No formal network that I am aware of, senator. Probably the most positive thing, focusing on my own alma mater, is the fact that a former president of the AHMA—the American Hotel and Motel Association—and a solid operator in our industry is now the Dean of that hotel school.

So getting a successful leader in our industry to decide that it is time to focus the rest of his energies and his career toward the academic side of things is a very positive approach and I am sure that things—that the curriculum there is probably decidedly different as a result of that change.

But I know of no specific programs that are aimed from the industry at working with the various hotel schools, be it Denver or the University of Nevada.

Senator BRYAN. Are you aware of any trade association that you may be a member of or those which in the tourism and travel business you generally may be affiliated with that have any kind of an intern program, some formalized exchange which makes the academic experience and the experience in the real world, so to speak, converge?

Mr. KLEISNER. No. However, in West Virginia, through the West Virginia Hospitality and Travel Association we have sat as advisers with the Recreation and Tourism Program Directors from several of these state universities.

Senator BRYAN. Mr. Pettitt, how about your experience?

Mr. PETITT. Well, I think each company in the industry has approached it differently. In our case, we have developed a close working relationship with a small hotel school in Ohio, a school called Hocking College, which we have actually established a reservation center and employed about 100 of the students to work for us on a part-time basis, actually handling reservations, and we have begun now to integrate the people from that entry-level position into other positions in our company and I think that is going to turn out to be a productive effort.

The American Hotel and Motel Association has an operation up in Michigan, an educational institute associated with one of the hotel schools and is a very active participant at that at Michigan State. So I think there are efforts of many different ways to attack that problem, and it is an important problem.

Senator BRYAN. It strikes me that you are making real progress as an individual entrepreneur, but it also impresses me that broadening that network, because the recruitment efforts may be suffi-

cient from the standpoint of your own company from the school that you have a longstanding relationship with, but that we need to let those who are involved in educating the young people that are going into the industry as to what the requirements are.

I am struck particularly, in the context of the colloquy that we have had here during this morning's session, of the need for language training—bilingual.

Nothing is more flattering than to speak the language of the visitor and I think that is an area that we would all agree, are considerable efficiencies.

Phil, what is our experience in northern Nevada?

Mr. BRYAN. Well, it parallels the others. We currently have a partnership. We are finding in northern Nevada, that because we are a little bit more isolated because of the mountains—and a little bit more difficult to reach, we are having to partner up on a lot of projects, so we currently have a committee establishing a hotel-tourism-gaming school, or at least a program in the University of Nevada, and I think that that will expand and my hope is that we will eventually call it hospitality, as opposed to isolating one segment of that, but I think that is probably the way for business to go.

I think we have to form these public-private partnerships in everything we do, and the more we can bring state agencies and national agencies into the university systems and private business, we'll get that mix, I think it has to start younger, though, even than the university level.

I think though, what I have found, and what we have found almost universally, is that tourism simply is not thought of as an attractive place to go into early on. Now, people learn that. They seize opportunity. People graduate from business schools or other, engineering schools or wherever, and they end up in tourism because they are marketing oriented, or something. But I think the partnerships in education idea is very effective.

Senator BRYAN. Mr. Pettitt, I was struck by a comment that you made in your introductory comments that your organization is the largest American-owned lodging house system, or lodging house company, in America. Did I understand that correctly, sir?

Mr. PETITT. That is right. We have some 1,300 locations, and with some of the recent sales of some of the other hotel chains, we now have more locations than any other U.S.-owned lodging chain.

Senator BRYAN. This led to my next question—the recent acquisition of some of the other large hotel chains across the country by foreign ownership. Does that have any implication for us in terms of attracting foreign visitors and travel? That is to say, is there a commitment there that would be the same community of interest of your organization and other American-owned chains, or is there a difference in attitude or approach? Would you share that with me?

Mr. PETITT. Well, I think, on one part of your question, it is an indication of the interest that foreign investors are taking in our industry and the growth of it, and the strength of it.

I think it indicates that there will be a great deal more competition among all of the various hotel chains in the international marketplace because these international owners perhaps have a strong-

er interest and more experience in some of the marketing efforts that are going on.

It could bode well for our industry in that international exposure will help heighten the awareness of the problem that we are talking about here today.

Senator BRYAN. You do not see it as a particular concern in terms of—I guess the argument could be made, if the major hotel chains across the country are going to become owned by foreign enterprises outside of the United States, then I suppose critics—cynics—might argue, how does that really help us in terms of our balance of trade, when in effect the profits from those enterprises do not remain in the United States? Although it does provide jobs, most certainly.

Mr. PETITT. The key, most certainly, obviously, is the jobs, and I do not think we can close our barriers to their investment in our interests any more than we would want them to close the barriers to our investment in Japan or in other countries.

Senator BRYAN. Phil, you were talking about air travel. There is clearly a correlation—access to markets. Would you tell us just a little bit about that?

Mr. BRYAN. One of the things I have found, just in trying to take our company into the Far Eastern market—you know, we are located near the western gateways—is that there are lots of restrictions.

There are lots of problems in getting the Japanese, who are very interested in traveling—10 million of them—or the new Korean travelers who will be coming out within the next year. Restrictions favor either one country or another, or they favor one group of airlines or another.

This is also true in the Canadian market. We are limited in the Canadian market to some degree. As much Canadian travel as there is, we still do not have equal access to each other's market.

I think this is an area where we can all focus our attention. I think also, if the USTTA were to take an interest in a stronger access policy—well, they do, but even earlier on in all the negotiations—American Airlines for example is currently trying to negotiate a route opening between Tokyo and San Jose—we would all benefit.

That would currently help the 600,000 population base in northern Nevada achieve more tourism from that area, because American Airlines has six routes from the Reno-Sparks Cannon International Airport into San Jose.

So I think an early expedition of that particular route opening, although that is not really an ease of restriction. I think more emphasis on tourism early on in the bilateral negotiations—treat it like trade. Treat it like it is, the important export commodity that it is.

Senator BRYAN. As you know, Phil, that is the thrust of the Chairman's legislation which he is finalizing as we meet this morning. I appreciate the observation.

Let me ask each of you this question. Have you had a personal business experience with USTTA? If so, what was that relationship, and was it a positive experience, and if not, how could it be improved? Mr. Kleisner, why do we not start with you, sir?

Mr. KLEISNER. As remote as we are, and being an independent property, we have not specifically had association with USTTA at this time.

Senator BRYAN. Could I follow that up? Is there, from your perspective, geographically located as you are, what can USTTA, with a revitalized and energized and expanded, more defined focus, what can it do for your property?

Mr. KLEISNER. Help in the efforts to continue the essential air service agreement, which has now been renewed for ten years. However, it is a continuing battle with the airlines to maintain service to the more remote, rural areas of the U.S.

Senator BRYAN. Mr. Pettitt.

Mr. PETITT. I am on the board of advisers to the USTTA and have been for several years. We have participated in a number of programs in the public/private partnership that they have run very successfully, as I mentioned during my presentation.

Senator BRYAN. Where could they be of greater service to the private sector?

Mr. PETITT. I think in two particular interests from our standpoint. One is to act as the governmental representative in solving some of the problems that were mentioned earlier in our own airports, taking the lead as they have in the visa waiver program. Making it easier for people to come to the U.S. and expanding that program is a key portion.

Secondly, to act as the focal point to bring together some of the private interests, we are more than willing to work together with some of our partners in the industry but we need someone to act as the body to bring us together to work to bring those visitors to the U.S.

Senator BRYAN. Phil?

Mr. BRYAN. I agree with all those comments. I get excited when I think about what the government could do.

I am a big believer in information public relations. I think that to some degree we have failed on that score. I think the USTTA could take a clear leadership role in taking that message to the ports of entry, to every point of origin.

A couple of years ago we closed down our USTTA information offices all over the world, and that was a shock to tourism commissions throughout the country. They were open by telephone but not actually open. There were economic reasons and national security reasons for the closings.

That just indicated that this was not a high priority. I can see the USTTA being like a market center in a way where all information comes in. If we establish strong regional partnerships, then there could be regional bulletins on where traffic is moving around the world. You can extrapolate in your mind it would be a like a tickertape of tourist information. They could be the center of that.

So everyone in a region would know immediately what is happening in the world tourism markets. We have to regard it that way. The center of this environment is our government because they control what happens outside our own territories.

Senator BRYAN. Thank you very much.

Certainly I think the record of this proceeding would establish, number one, the importance of the industry and, number two, that much more needs to be done in terms of USTTA.

Let me just issue this challenge to you. It seems to me that both from my perspective as a former governor coming back and talking about tourism where much the same type of observation was made—namely, that people do not understand, the Members of the Congress do not fully appreciate how big, how important this industry is, the export potential—it strikes me back here from observing this process over this past year that the only way that is going to change is if those of you in the private sector through your own efforts at the local level make your representatives aware that yours is an industry that is of vital economic importance to this country, that it plays a tremendously important role in terms of our trade relationships and that trade imbalance of which all of us here in the Congress are aware.

I think we need to get more personal involvement from each of the business enterprises that we have seen here. It is wonderful to have effective legislative advocates in the Capitol, but when people of your stature show up and indicate the importance of that role, I think it tends to get our attention.

I want to personally on behalf of the chairman of the subcommittee and all of us extend my appreciation to you for your testimony and for your presence here today and assure you that we want to work with you in developing a stronger role for USTTA to be your partner in this enterprise.

Thank you very much, gentlemen.

The last panel this morning will consist of Ms. Noel Irwin-Hentschel and Mr. Voit Gilmore. Ms. Irwin-Hentschel is the Chief Executive Officer of American Tours International Inc., and Mr. Voit Gilmore is the President and CEO of the American Society of Travel Agents.

We appreciate very much your presence here today.

Ms. Hentschel, am I pronouncing it correctly?

STATEMENT OF NOEL IRWIN-HENTSCHEL, FOUNDER AND CHIEF EXECUTIVE OFFICER, AMERICAN TOURS INTERNATIONAL, INC., OUTRIGGER PRINCE KUHIO HOTEL

Ms. IRWIN-HENTSCHEL. It is Noel as in Christmas.

Senator BRYAN. My apologies to you. May we begin with your testimony and welcome to the committee. We are pleased to have you here this morning. It was a great personal pleasure to be introduced to you by my good friend and a former colleague, Governor Ariyoshi, who joins us this morning as well, please.

Ms. IRWIN-HENTSCHEL. Thank you, Mr. Chairman, and aloha.

Senator BRYAN. Aloha.

Ms. IRWIN-HENTSCHEL. My company, American Tours International, markets and promotes the United States of America as a tourist destination to the world's major tour wholesalers and international airlines attracting nearly half a million visitors each year to America. These visitors spend more than \$1 billion in the United States of America.

As we heard today, tourism is big business. In fact, it is one of the biggest businesses in the United States. The swift and steady growth of my company closely parallels the tremendous growth of this industry.

Twelve years ago I had an idea for providing travel services for foreign visitors. I started American Tours International with a staff of three, a desk, a telephone and a telex machine at a tiny office at Los Angeles International Airport.

Today my company has over 350 employees, offices in every major gateway city, and several national and international service centers. ATI is the largest "Visit USA" travel corporation in the United States, and we bring over \$1 billion in foreign currency into America's economy each year. What better product for the overseas visitor to buy than the American experience.

America is a dream destination for overseas travelers. Our history is rich with images of freedom and prosperity, leadership and initiative. At ATI we pioneered taking overseas visitors coast to coast in 18 days from the Statue of Liberty to the Golden Gate Bridge; but more importantly, we take them to the heartland of America.

I attribute ATI's success in developing the United States international visitor market to four things, and at the top of that list I put pride in America. Having traveled extensively myself, I know that America is a destination that has it all. I am genuinely proud to offer the American experience to international travelers. My employees take their role as goodwill ambassadors very seriously when introducing people from other countries to the majesty of this great nation.

The second factor in our success has been a sincere desire to know and understand our overseas clients. European and Asian visitors are highly sophisticated travelers. A German visitor has different needs and interests than an Italian. A Japanese visitor is different than a traveler from Finland.

All of our tour leaders are multilingual and are highly trained in the customs of our foreign guests just as they are in the history, the geography, and the flora and fauna of America.

Third, we offer creativity in our travel products. At ATI the word "unable" does not exist. We create travel experiences to match our international clients' expectation of their American experience.

Promotion is the fourth major factor in our success. We creatively develop and distribute our own marketing materials, including videos, brochures, maps and cassette tapes in the languages of all of our clients. We participate in all major travel shows for the trade and for the consumer, and ATI spends over \$1 million each year marketing America as a travel destination to international markets.

As part of my preparation today, I contacted some of our clients, some of Europe's largest tour wholesalers in five of America's top ten travel markets. I asked them what is our country doing well; what could we do better to promote America? They were unanimous on the following points.

The assistance in promoting America that has been provided by USTTA is very much appreciated but totally inadequate. USTTA offices should be in locations that are easily accessible to the

public. In Milan, for example, the USTTA office is in the American Consulate Building, and security there makes access very difficult.

Staff members at several of the USTTA offices are viewed more as holders of honorary positions than administrative or marketing specialists and do not have travel industry experience. This lack of experience and understanding of the industry makes it extremely difficult when negotiating promotions with the private sector.

There needs to be better coordination and communication among the U.S. Foreign Commercial Service, the USTTA and regional delegations coming to Europe to promote their destinations. Few of these delegations come prepared to meet with travel industry executives, and the trips are not productive.

Another major concern is that overseas visitors to the United States experience lengthy, rigorous and unreasonable processing through America's Immigration and Customs. International wholesalers describe this as America's Ellis Island mentality.

In Hawaii it regularly takes Japanese visitors two and one-half to three hours to move through Customs. They are often asked to repeatedly count their money aloud to Customs agents, a process which they find very humiliating.

Without sacrificing security, we should be welcoming visitors from overseas with more enthusiasm, efficiency, and with open arms. While the visa waiver program is a step in the right direction, I am concerned that the overseas visitors will find Europe's relaxed borders very attractive in 1992.

America's potential as an international destination has barely been tapped. At the same time, countries all over the world are competing fiercely for the international travel market. Currently the United States spends far less than Ireland, Malaysia and the Netherlands to attract overseas visitors. We even spend less than Tunisia. We are beginning to see the results of our Scroogelike support of international tourism.

Spain now earns more from international visitors than the United States of America. For the first time ever we have fallen to second in terms of earnings from foreign tourism, and we should take this drop in our position very seriously.

America is a superior travel product. All we need to do is to support this product through a coordinated effort on the part of the government, the Federal Government, the State governments, and the private sector.

As founder and CEO of ATI, I support legislation that will give USTTA the promotional funding it needs to market America as it deserves to be marketed. I support legislation that recognizes the role of international tourism in reducing America's trade deficit.

America deserves a combined effort with private and government sectors working together to market this great Nation as an international destination, and ATI will do whatever we can to help.

Thank you very much, Mr. Chairman.

[The statement follows:]

STATEMENT OF NOEL IRWIN-HENTSCHEL, FOUNDER AND CHIEF EXECUTIVE OFFICER,
AMERICAN TOURS INTERNATIONAL

Chairman Rockefeller and members of the Senate Sub-Committee on Foreign Commerce and Tourism:

My company, AmericanTours International, markets and promotes the United States of America as a tourist destination to the world's major tour wholesalers and international airlines, attracting nearly half-a-million overseas visitors each year. These visitors spend more than one billion dollars in America. (See attached "Market Analysis by Geographic Area".)

Tourism is big business. In fact, it's one of the biggest businesses in the United States. The travel industry is responsible for 6.6 million jobs, it's among the top three employers in 39 of our states, and generates more than \$537 billion dollars in revenue annually.

These figures don't surprise me. The swift and steady growth of my company closely parallels the tremendous growth of this industry.

Twelve years ago I had an idea about providing travel services to foreign visitors and started AmericanTours International with a staff of three, a desk, a telephone, and a telecopier in a tiny office in Los Angeles.

Today my company has over 350 employees, offices in every major gateway city, and several national and international service centers.

ATI is the largest Visit USA travel corporation in the United States, and we bring over one billion foreign dollars into America's economy each year.

As you know all too well, we are having major problems with our balance of trade. What better way to bring foreign currency into the United States and what better product for the foreigner to buy than the American experience.

Yes let's change the emphasis from buying American real estate to buying the American experience.

Every dollar spent in tourism passes through many hands and is distributed throughout the country as visitors travel through America. America is a dream destination for foreign travelers. Our history is rich with images of freedom and prosperity, leadership and initiative. Thousands of businesses from McDonald's restaurant in Barstow, California, to the Holiday Inn in Rapid City, South Dakota, benefit from the coast-to-coast motorcoach tours of America that ATI designed specifically for the international market.

We take foreign visitors coast-to-coast in 18 days from the Statue of Liberty to the Golden Gate Bridge. But, more importantly, we take them through the Heartland of America. This is ATI's great American Crossing, from New York, to Washington, to Niagara Falls, Detroit, Chicago, Sioux City, Rapid City, Mount Rushmore, Cody, Yellowstone, the Grand Tetons, Salt Lake City, Bryce, Zion National Park, the Grand Canyon, Las Vegas, Los Angeles, and the Pacific Coast. And all of this at a cost of approximately \$1,000 per person all inclusive. Many of the passengers continue on with a week of relaxation in the Hawaiian Islands.

I attribute ATI's success in developing the United States' international visitor market to four things—and at the top of the list, I put pride in America.

Having traveled overseas extensively myself, I know that America is a destination that has it all: people, history, culture, climates, landscapes, breadth and depth. I am genuinely proud to offer the American experience to foreign travelers. My employees take their role as good will ambassadors very seriously when introducing people from other countries to the majesty of this great nation.

The second factor in our success has been a sincere desire to know and understand our foreign clients. European and Asian visitors are highly sophisticated travelers. A German visitor has different needs and interests than an Italian. A Japanese visitor is different from a Finn. All of our escorts are multilingual and are as highly trained in the customs of our foreign guests as they are in the history, geography, and flora and fauna of America.

Third, because ATI's international clients are highly sophisticated travelers, we offer creativity in our travel products. At ATI, the word "unable" does not exist. We create travel experiences to match our foreign clients' expectations of their American experience. We have recreated the Civil War for Italian corporate incentive groups visiting the South, and arranged hot-air balloon excursions for senior citizens from Germany.

Promotion is the fourth major factor in our success. We creatively develop and distribute our own marketing materials, including videos, brochures, maps, and cassette tapes in the languages of all our clients.

We participate in all of the major international trade and consumer shows. ATI spends over one million dollars each year marketing America as a travel destination to foreign markets.

Pride, knowledge of our foreign clients, creativity, and promotion have contributed to ATI's success. But I know you are just as interested in what has impeded it.

As we have built ATI these past twelve years, I've watched and listened while those who have the ability to make the United States a real competitor in tourism

argue as to whether the United States Travel and Tourism Administration should in fact exist. With this huge question mark hanging over the USTTA's head, and funding that can only be described as "token"—the effectiveness of this agency in marketing America internationally has been minimal at best.

As part of my preparation for speaking with you today, I contacted my clients—some of Europe's largest tour wholesalers in five of America's top ten travel markets—to ask them what our country is doing well, and what we can do better to promote America. They were unanimous on the following points:

The assistance in promoting America that has been provided by USTTA is very much appreciated—but there is much too little of it.

USTTA offices should be in locations that are easily accessible to the public. In Milan, ~~for example~~, the USTTA office is in the American Consulate building and security there makes access difficult. Amsterdam's USTTA office is similarly inaccessible to the public.

Staff members at several of the USTTA offices in Europe are viewed as more honorary than administrative, and do not have travel industry experience. This lack of experience and understanding of the industry is an impediment when negotiating promotions with the private sector.

There needs to be better coordination and communication among the U.S. Foreign Commercial Service, the USTTA, and regional delegations coming to Europe to promote their destinations. Few of these delegations come prepared to meet with travel industry executives and the trips are not productive.

Overseas visitors to the United States experience lengthy, rigorous, and unreasonable processing through America's Immigration and Customs. International wholesalers describe this as America's "Ellis Island" mentality.

In Hawaii, it regularly takes Japanese visitors two and a half or three hours to clear customs. And, they are often asked to repeatedly count their money aloud to customs agents, a process they find very humiliating.

Without sacrificing security, we should be welcoming foreign visitors with more enthusiasm and efficiency. While the VISA-waiver program is a step in the right direction, I'm concerned that foreign visitors will find Europe's relaxed borders very attractive in 1992.

America's potential as an international destination has barely been tapped. At the same time, countries all over the world are competing fiercely for the international travel market.

Currently, the United States spends far less than Ireland, Malaysia, and the Netherlands to attract foreign visitors. We even spend less than Tunisia!

And we are beginning to see the results of our Scrooge-like support of international tourism. Spain now earns more from foreign visitors than the United States! In 1992 the Olympic Games in Barcelona and the World's Fair in Seville are expected to give Spain an even bigger edge.

We are second in earnings from foreign tourism for the first time ever, followed by Italy and France. We should take this shift in position very seriously.

America is a superior travel product. All we need to do is support this product through a ~~co~~ordinated effort on the part of the Federal government, the state governments, and the private sector. As founder and CEO of ATI, I support legislation that will give the USTTA the funding it needs to market America as it deserves to be marketed. I support legislation that recognizes the role of international tourism in eliminating America's export deficit.

America deserves a combined effort, with private and government sectors working together to market this great nation as an international destination.

ATI will do whatever it can to help.

Thank you Mr. Chairman and Senators for this opportunity to appear before you.

**AMERICAN AIRLINES INTERNATIONAL
MARKET ANALYSIS
BY GEOGRAPHIC AREA**

GEOGRAPHIC MARKET	AWS. DURATION O: TRAVEL (DAYS)	NUMBER OF PASSENGERS	LODGING	MEALS	TRANSPORTATION	EXCURSIONS	TELEPHONE	IMMUNITIES	GIFTS	OTHER	TOTAL
EUROPE :											
Germany	18	72,000	71,280,000	64,800,000	25,920,000	23,328,000	5,184,000	9,072,000	58,320,000	3,888,000	281,792,000
United Kingdom	18	60,000	62,640,000	55,080,000	20,520,000	20,520,000	4,320,000	7,560,000	49,200,000	3,240,000	223,080,000
Italy	12	52,000	38,688,000	36,192,000	13,728,000	12,480,000	2,496,000	4,368,000	49,400,000	1,872,000	199,224,000
Netherlands	18	44,000	44,352,000	41,184,000	16,632,000	14,256,000	3,168,000	5,544,000	38,500,000	2,376,000	166,612,000
Switzerland	15	16,000	13,920,000	12,480,000	5,520,000	4,560,000	960,000	1,680,000	13,200,000	720,000	53,040,000
Scandinavia	15	16,000	12,960,000	12,240,000	5,280,000	4,560,000	960,000	1,680,000	13,200,000	720,000	51,760,000
France	12	12,000	8,640,000	8,064,000	2,880,000	2,880,000	576,000	1,008,000	10,340,000	432,000	34,840,000
Belgium	18	8,000	8,196,000	7,920,000	3,024,000	2,592,000	576,000	1,008,000	6,940,000	432,000	31,008,000
Other European	16	8,000	7,424,000	6,528,000	2,560,000	2,560,000	512,000	896,000	6,960,000	384,000	27,744,000
Subtotal		288,000	268,400,000	245,488,000	96,048,000	87,768,000	18,752,000	32,816,000	246,420,000	14,064,000	1,088,520,000
ASIA/PACIFIC :											
Japan	8	44,000	26,440,000	26,400,000	9,856,000	11,264,000	1,740,000	4,224,000	48,200,000	2,464,000	148,808,000
Korea	7	4,000	1,548,000	1,540,000	616,000	464,000	112,000	224,000	4,800,000	112,000	9,616,000
Australia/New Zealand	25	52,000	48,900,000	47,600,000	29,800,000	26,000,000	5,200,000	9,100,000	47,560,000	3,900,000	258,180,000
Other Asia/Pacific	10	2,000	1,140,000	1,100,000	440,000	440,000	80,000	140,000	1,800,000	60,000	5,200,000
Subtotal		102,000	94,268,000	96,640,000	40,816,000	38,548,000	7,152,000	13,688,000	122,360,000	6,536,000	421,804,000
MIDDLE EAST/SOUTH AMERICA	12	10,000	6,240,000	6,120,000	2,400,000	2,280,000	480,000	840,000	8,750,000	560,000	27,470,000
GRAND TOTAL		400,000	370,808,000	347,248,000	139,276,000	128,546,000	26,384,000	47,344,000	377,330,000	20,960,000	1,457,794,000

AMERICANTOURS INTERNATIONAL
MARKET ANALYSIS
BY GEOGRAPHIC AREA

GEOGRAPHIC MARKET	NUMBER OF PASSENGERS	PCT. OF TOTAL	GROSS REVENUE	PCT. OF TOTAL	AVG. REV. PER TRIP	PER PAX. PER DAY
EUROPE :						
Germany	72,000	18.00%	261,792,000	17.96%	3,636	202
United Kingdom	60,000	15.00%	223,080,000	15.30%	3,718	207
Italy	52,000	13.00%	159,224,000	10.92%	3,062	255
Netherlands	44,000	11.00%	166,012,000	11.39%	3,773	210
Switzerland	16,000	4.00%	53,040,000	3.64%	3,315	221
Scandinavia	16,000	4.00%	51,760,000	3.55%	3,235	216
France	12,000	3.00%	34,860,000	2.39%	2,905	242
Belgium	8,000	2.00%	31,008,000	2.13%	3,876	215
Other European	8,000	2.00%	27,744,000	1.90%	3,468	217
Subtotal	288,000	72.00%	1,008,520,000	69.18%	3,502	
ASIA/PACIFIC :						
Japan	44,000	11.00%	148,808,000	10.21%	3,382	423
Korea	4,000	1.00%	9,616,000	0.66%	2,404	343
Australia/New Zealand	52,000	13.00%	258,180,000	17.71%	4,965	199
Other Asia/Pacific	2,000	0.50%	5,200,000	0.36%	2,600	260
Subtotal	102,000	25.50%	421,804,000	28.93%	4,135	
MIDDLE EAST/SOUTH AMERICA						
	10,000	2.50%	27,470,000	1.89%	2,747	229
GRAND TOTAL	400,000	100.00%	1,457,794,000	100.00%	3,644	

Senator BRYAN. Thank you very much. That was most articulate and most informative and helpful testimony. Thank you.

Mr. Gilmore, we will hear from you now.

STATEMENT OF VOIT GILMORE, PRESIDENT, AMERICAN SOCIETY OF TRAVEL AGENTS

Mr. GILMORE. Thank you very much, Senator. Thank you for the honor of being here today. I am particularly glad that such a sympathetic voice as a Nevada ear is presiding because we find at the American Society of Travel Agents that there is hardly any more state or any group of cities such as Las Vegas and Reno that cooperate more efficiently and enthusiastically with the travel agents of American than your own citizens.

My name is Voit Gilmore, and I am the president and chief operating officer, the chief executive officer of the American Society of Travel Agents that is headquartered here.

I am also the president of a travel agency in Pinehurst, North Carolina. I should start by saying happy world tourism day because this is designated by the World Tourism Organization as WTO day. All around the world people are celebrating it and thank you for letting us observe it in this proper way here in support of this legislation.

I am delighted to be with Noel because although I have heard several discouraging words here this morning, we still have in the United States one of the great travel products of the world, and I am glad that she sounds as upbeat as she is, and I would certainly subscribe to her enthusiasm because, as Senator Hollings was kind enough to say, I have the privilege as an appointee of President Kennedy of being the first director of what is now the USTTA.

ASTA, the American Society of Travel Agents, is the world's largest professional organization of travel agents. We have more than 20,000 members here in the United States. We have more than 3,000 abroad. We sell about 90 percent of all international air travel in this country, 75 percent of domestic air travel, 50 percent of car rentals, about 95 percent of cruises, about 40 percent of Amtrak, and about 35 to 40 percent of all hotels, so we do have clout when we talk to the suppliers of travel and to the foreign governments about the subjects that are before us today.

Let me just say in summary to a couple of the things that have been mentioned by you gentlemen at the table today that we enthusiastically endorse the new tourism trade development.

Questions this morning about private sector support, what would we do if the USTTA had more strength and if the government made a more concentrated effort on the promotion of tourism.

Well, we are already doing a number of things, and I think they ought to be known. We have a receptive services program in which the American Society of Travel Agents inventories and advertises abroad those travel agents and those tour agents—and I am very glad that Noel is a member of our ASTA organization—who do supply receptive services so that around the world those who want to come to this country or those who want to sell travel to this country have an inventory of who at any city at any gateway city

can receive them and take care of them with their own language and that sort of thing.

I am just as furious as Senator Danforth about that dollar that you have to pay to even get the cart which you then can just keep a few feet before it is taken away, and we are trying very much to discourage airport authorities from letting that become part of their income budget which they rely upon and which is very unfair.

We are also interested in the fact that we do speak the English language, and we are even encouraging Washington to get drivers that speak English in their taxis.

We have a hotel program. We are constantly working with hoteliers around the world to enhance the services because we are dealing with people who need assistance of all sorts, signs, language, et cetera.

We have a consumer affairs program. We seek out the people that are running scam operations that are befuddling the public on the offer of services that do not exist or who are unfairly taking advantage of innocent travelers.

We have an aviation program. We are very concerned about where the future goes on the consolidation, the constant indications to us of airline mergers that have a strong bearing along with the European community 1992 situation of who will dominate the skies and who will have the power in the future. That has an important bearing on us and upon the United States economy.

We have a program that watches automation. The CRS programs which are so strong and are taking very important directions now in anticipation of Europe 1992 are something very carefully to be watched, and we know that it should be part of your surveillance in this particular bill.

We favor the plan to give more representation to cities and states—and I would emphasize to small businesses—in the Travel and Tourism Advisory Board and on both the Council and the Board that you have we think that the subject is important enough that the economy is important enough, and the caliber of the people that are on there, many of them sitting in this room today, are such that you should give consideration to letting those positions be presidential appointees.

As for Japanese weddings, I think we should exploit that and since Japan pretty much feels that it owns Hawaii now, why not start having them in Nevada or perhaps back at the Greenbriar where the Japanese really last visited in great numbers when they were interred during World War II.

Let me just say, please, sir, that your invitation to us asked that we look at the likelihood of U.S. travel industry gaining world market share and what we can do to help with that.

And we respond by noting that when it comes to the federal government, the travel industry, as has been said every time here this morning, still continues to be the Rodney Dangerfield of America's industrial sector. We just don't get no respect.

And I think that is probably because the general public as well as elected representatives consider us as a fragmented piece of this or that, never as a whole, and that is why our figures never seem

to stop people in their tracks to realize that we are dealing with just about the largest industry in the world.

With few exceptions, the concerns before our industry today with regard to federal support and cooperation are really the same ones that were right here when I sat down first over in this building in 1961 after President Kennedy had just gotten that first act through, and I almost feel like Yogi Berra today. He says this is like *deja vu* all over again.

There has been a positive change that has occurred, and that fact is that this year, 1989, we are showing, according to the USTTA records, a \$118 million surplus in our tourism account, our balance of in and out. And we have heard reference here today to the \$2.9 billion deficit of 1988.

Now, we would like to dramatize and emphasize that this careful estimate of USTTA—and they have been very cautious about this—suggests that we are really with the modest effort that we had, but one which can get better, turn this thing around and that there is now reflected thus far in 1989 \$118 million surplus, and that will be much larger by the end of the year we certainly know.

So, it is almost the only surplus that we can point to, any of the service sectors of the balance of payments picture that the United States watches very carefully. So, it is exceptional news. We think it is very dramatic news and should bolster your enthusiasm for going on with this bill.

You asked us also to talk about barriers to trade and tourism, and you had some particular questions about that.

You know that we have been very concerned about the vast array of barriers that do exist out there to the growth of international trade and tourism.

Our efforts include, of course, the creation of an inventory of those barriers which has been developed by USTTA in cooperation with the Organization for Economic Cooperation and Development and the pursuit of barrier eliminating initiatives through the world tourism organization which has today a celebration and the execution of numerous bilateral trade agreements and memoranda of understanding that are aimed at reducing or eliminating a vast array of obstacles which thwart both the growth of America's international tourism and the opportunities for international tourism around the world.

So, I am winding down because I see you looking at your clock. Just let me talk about fees and taxes.

We touched upon this, but one of the biggest barriers to the competitiveness of the United States as a travel destination is price and one of the biggest factors that affects that price that is charged to the prospective visitor is the amount of taxes and user fees which individual enterprises and consumers of various industry services have to pay.

We believe strongly—and I have heard it around this table before today—that fees and taxes paid by the industry and its consumers should be dedicated and used for the support and promotion of the industry.

I heard your colloquy up there earlier about the fact that we do have jams at our airports and, as Mr. Tisch said, why you sometimes have a zoo situation.

Well, there is \$10 billion sitting there in that airport trust fund that is designed for the relief of just those kinds of problems.

There is the tremendous amount of money we are collecting for the highway fund, and it is being used to help balance the budget and the travel agent of America is tired of collecting 8 percent from the public when we sell a ticket and saying this money is being collected to help your airport be better or your control towers be better. The money ought to go there.

So, we support the concept of the user fee funding for USTTA and the other range of programs that are anticipated here, but only if the monies raised by these fees are dedicated exclusively and appropriately directed to the program for which they are intended.

Now, I mentioned computer reservation systems. Let me just say one more word about that.

Computer reservation vendors have enormous market power. The power is so much. For example, I heard one airline executive recently say if I had to sell my airline or my computer reservation system, I would sell my airline because there is so much power and so much income from the computer reservation systems that when we finally move into an international global computer reservation system, the USA has got to be very careful with its position in terms of that because we are not getting treated always fairly or equally.

When a client comes in and asks for a given product, U.S. products that are available, either airlines or tours or otherwise are not always being fairly represented in other parts of the world.

That is a very important trading chip for us. We want to be sure that we pursue bilateral aviation negotiations with other nations keeping the USA interest involved in this and to protect the American competitive position.

On VISA waiver, we are very proud of it. It took a long time, but we finally got to it on the experimental basis and with the preliminary results from the United Kingdom and Japan that are so positive on that, we believe the program should be extended to others of America's high volume tourism trading partners.

That is part of what Noel says. It is just simply facilitating travel and in and out of this country.

Among the other barriers are the currency restrictions. Recently we have seen that Aeroflot has hired a U.S. public relations agency to sell the advantages of flying Aeroflot to Russia.

In tourist has a great new energy and cooperation by American suppliers in bringing tourists to Russia and yet, they have a currency restriction.

Many countries around the world that we have already discussed do not give their people an opportunity to take the money to come out of the country, and the important part of the total restriction.

I want to mention GATT. I heard it mentioned this morning. We really should have GATT up there, and a major part of any GATT discussion should be travel and tourism. It should be a major part.

Mr. Chairman, we are so full of ideas about this and we are so enthusiastic about the opportunities for this bill that we thank you for this chance to discuss it.

And I would like, if I may, to put my full remarks into the record.

Senator BRYAN. They will be made a part of the record.

Mr. GILMORE. Thank you very much for the opportunity.

[The statement follows:]

STATEMENT OF VOIT GILMORE, PRESIDENT, AMERICAN SOCIETY OF TRAVEL AGENTS

Mr. Chairman, Members of the Subcommittee.

My name is Voit Gilmore. I am President of the American Society of Travel Agents (ASTA). In addition, I am the President of Four Seasons Travel Service, Inc., located in Pinehurst, North Carolina. I am also the former, and first, head of the Commerce Department agency we know today as the United States Travel and Tourism Administration (USTTA).

ASTA is the world's largest trade association of professional travel agents, with 13,000 travel agency members throughout the United States, and a total worldwide membership of agents and industry suppliers exceeding 23,000.

ASTA's members are primarily small-business owners and their employees. Among ASTA's purposes are the promotion and advancement of the interests of travel agents and the safeguarding of the traveling public against fraud, misrepresentation and other unethical practices.

It is an honor and privilege to appear before you today to review proposed revisions to the National Tourism Policy Act, and to share with you the perspective of ASTA members concerning the issues facing the travel industry which we believe should be addressed by Congress.

As I prepared my testimony for today's hearing, I could not help reflecting on my days as Director of the United States Travel Service (USTS) as well as the efforts which were undertaken almost ten years ago by this Committee and this industry to address what were considered the challenges facing tourism at the end of the 1970's.

Mr. Chairman, little has changed with USTS, now USTTA, in those years except --

--the name of the agency representing the travel industry in the Federal Government,

--the title of the position heading that agency,

--and the amount of revenue paid by the industry to support the Federal Government.

Otherwise, virtually the same issues and the same concerns we addressed back then are with us today.

When it comes to the Federal Government, the travel industry continues to be the Rodney Dangerfield of America's industrial sectors. We just don't get no respect.

To illustrate my point, let me compare for a moment the similarities between the provisions of the National Tourism Policy Act of 1981 and the provisions of the proposed Tourism Export Promotion Act of 1989:

1. The 1981 legislation recognized the importance of travel and tourism to the nation's social and economic well-being and encouraged facilitation of travel to and within the United States.

The proposed 1989 legislation contains similar findings which demonstrate the size of the industry, its importance to the gross national product, employment, and the U.S. international trade position. The proposed legislation also sets as a goal the elimination of the current account deficit in tourism trade and urges the establishment of a tourism trade surplus.

Actually, this latter objective has already been achieved. Through the first half of 1989, USTTA reported a \$118 million trade surplus, virtually the only surplus in the services sector of the current account.

ASTA views this as exceptional news and suggests that this should give Congress and the Administration every reason to bolster and support the trade development efforts of USTTA in order to benefit from the comparative advantage the United States has in trade in tourism.

2. The 1981 Act created an interagency policy council to coordinate the over 100 federal policies impacting tourism, plus an advisory board of industry, labor and consumer interests to advise the agency. Both bodies were required to submit annual reports to the Congress and the President, and the agency was required to submit an annual program plan to Congress.

The proposed Tourism Export Promotion Act once again requires that the agency's advisory board review and approve the agency's annual plan before it is submitted to Congress.

3. The 1981 Act authorized the Agency's Under Secretary to coordinate overseas promotion activities with other Commerce Department agencies, especially the International Trade Administration, and to establish nine additional offices with the assistance of the U.S. and Foreign Commercial Service.

The 1989 bill follows a similar track, requiring USTTA to concentrate its trade development efforts on those countries that have the greatest potential for increasing U.S. tourism export revenue, and requires the assistance of the U.S. and Foreign Commercial Service in the development of export tourism trade, especially from those high yield market countries where USTTA does not have the resources to maintain offices of its own.

4. For cosmetic effect, the '81 Act changed the name of the agency and gave it an Under Secretary.

The proposed bill replaces the term "tourism marketing" with the term "tourism trade development".

5. And finally, Mr. Chairman, the 1981 Act authorized the agency to be funded at \$6.5 million for FY 1982, an amount of similar value to the \$15 million authorized by the proposed legislation for FY 1990.

With few but notable exceptions, the legislation before us today is very much like -- as Yogi Berra once said -- "deja vu all over again."

Now, some might consider these observations to be critical of the bill before us. Let me assure you, they are not.

If anything, these observations are critical of the lack of beneficial progress made over the past three decades in efforts to gain greater cooperation and support from the Federal Government for the tremendous work the American travel industry is doing to promote American competitiveness in international trade and domestic economic development.

ASTA believes it is both timely and appropriate to be undertaking this review. To its credit, however, there are some subjects addressed in the proposed bill which have never been raised previously before this Committee in the context of USTTA. Among these are:

The more frequent publication of tourism trade statistics;

The inclusion of an inventory of barriers to tourism trade in the annual National Trade Estimates Report;

The creation of a foundation to facilitate further USTTA's private/public promotional partnerships, particularly as they relate to the development of tourism in rural America;

An annual survey of states attorneys general and consumer protection boards to establish a record of companies and individuals that have committed travel fraud; and

A scenic byways economic impact study.

ASTA has some comments about these four provisions as well as a few suggested improvements that might be considered to strengthen the proposed legislation.

International Trade Data:

ASTA suggests that increasing the frequency with which the international trade data on tourism is reported--from quarterly to monthly--is an unnecessary expense. What is important is that when the current account balance figures are announced quarterly, greater emphasis is placed on the trade balance for tourism.

With tourism representing America's largest source of export revenue, and now the only surplus in the services sector, it is wrong for the Commerce Department to ignore the industry altogether while, for example, placing so much emphasis on the volume of international investment by the Japanese in the United States.

Barriers to Trade:

For several years, USTTA's Office of Policy has worked to address a vast array of barriers which restrict the growth of international trade in tourism. These efforts have included --

--the creation of an inventory of barriers developed in cooperation with the Organization for Economic Cooperation and Development,

--the pursuit of barrier-eliminating initiatives through the World Tourism Organization, and

--the execution of numerous bilateral trade agreements and memorandums of understanding aimed at reducing or eliminating a vast array of obstacles which thwart both the growth of America's international tourism trade and the opportunities of international tourism trade around the world.

Some have criticized USTTA as an agency with no heavy policy responsibilities. Such criticism comes from ignorance. The annual publication of tourism trade barriers including the long list of obstacles which limit the growth of international aviation would enlighten many.

Such a publication would help raise the standing of both the industry and the agency in the eyes of those who measure worthiness by the volume of trade negotiation and policy formulation carried out in behalf of a given industrial sector.

Rural Tourism Foundation:

Since the early 1980's, considerable thought has been given to the creation of a foundation to promote the trade development efforts of USTTA.

In an early meeting with representatives of the travel industry, the late Commerce Secretary, Malcolm Baldrige, made such a proposal. Subsequently, former Under Secretary Tuttle and former Acting Under Secretary Peterson each investigated the possibility of establishing such an organization. Congressman Ike Skelton of Missouri even proposed legislation in the 100th Congress to legislate the creation of a foundation.

Unfortunately, certain elements of the travel industry feared that creation of a promotional foundation would somehow compete with their programs.

But perhaps times have changed. Perhaps there is now a greater willingness on the part of everyone in the industry to agree on such an entity.

There are numerous examples of similar organizations supporting the work of other nations' tourism trade development agencies and there are similar organizations working in cooperation with other agencies of the U.S. Government. ASTA supports this concept.

Scenic Highways:

ASTA concurs with the proposal to undertake a study on the economic activity associated with scenic and recreational travel on scenic byways. This proposal is an appropriate adjunct to the rural tourism study undertaken by the agency in FY '89, and ensures continued USTTA involvement in the Chairman's Scenic Byways initiative.

Areas to Strengthen:

Mr. Chairman, overall, ASTA believes the draft legislation before us today is a very good start. There are however a few areas where we believe some additional strength could be added, and there are some additional issues ASTA would hope could be addressed in this bill.

Tourism Policy Council --

The proposal requires the fuller participation of other Federal agencies in the operation of the interagency Tourism Policy Council. This is an excellent idea as far as it goes, but ASTA believes the proposal should be taken further.

At the present time, the Tourism Policy Council is simply a sounding board. It has no real standing or clout.

ASTA believes that the interagency body should be positioned as an integral element in the Federal interagency review process on matters of trade, transportation, natural resources and reclamation, historic preservation, economic development, diplomatic policy, and industry regulation.

Interagency working groups should be convened appropriately to review and make recommendations on Federal proposals which may affect the ability of America's travel industry to compete domestically and internationally. The recommendations of these working groups should then be submitted to the full Policy Council for review and adoption. In turn, the Policy Council, through the Secretary of Commerce, should forward its recommendations to the President's interagency Economic Policy and International Policy Councils.

Travel and Tourism Advisory Board --

The draft legislation recommendation that more representation be given to states and cities is appropriate. ASTA would also recommend that there should be more representation from small business, especially in light of the fact that 98 percent of the travel industry is comprised of small business and that USTTA's resources are dedicated in large part to assisting those elements -- small businesses and lesser-known destinations -- reach the international market.

To this recommendation, ASTA also would urge an addition that the board be Presidentially appointed. Given the size of the industry and its economic, social and strategic importance to the nation, ASTA believes there is as much or more justification for making membership on this board subject to Presidential appointment --with the advice and consent of the Senate -- as there is for any other existing Presidentially appointed board or commission.

USTTA Funding --

Mr. Chairman, for as long as I can remember, the issue of adequate funding for USTTA has been a rallying point for the travel industry. Humorously, I wonder what will hold us together as an industry if we ever get this issue resolved.

Seriously, I must say that the authorization levels included in the draft legislation are totally inadequate. In fact, they are harmful to efforts to bring USTTA funding to a level that makes the United States competitive with other tourism exporting nations.

It would be better to drop the authorization section from this draft than to leave a paper trail upon which Congressional and Administration critics of the agency could justify reduced or no funding for the agency's important programs.

But rather than just leave it at that, ASTA proposes the following idea as a way to help Congress, the Administration and the industry address this perpetual issue.

As the Committee recognizes, one of the biggest factors affecting the competitiveness of the United States as a travel destination is price. One of the biggest factors affecting the price of American travel services is the amount of taxes and user fees which individual enterprises and consumers of industry services pay.

ASTA strongly believes that fees and taxes paid by the industry and its consumers should be dedicated and used for the needs of the industry.

Of the tens of billions of dollars collected for the highway trust fund, and the airport/airways trust fund, along with park entrance fees, room taxes, excise taxes, etc., only a small portion ever makes its way back to build and maintain roads, improve the aviation system, protect public recreation facilities, or support the tourism trade development efforts of the Federal Government.

ASTA members, as primarily small business people, recognize and appreciate the importance of user fees to support activities and programs which may not rank among the constitutional priorities of the government. But ASTA members are not in favor of having their industry and its consumers taxed under the guise of user fees only to be denied the support and assistance promised from those user fee laws.

ASTA strongly believes that USTTA plays a vital role as a catalyst for the travel and tourism industry and we believe Congress should support USTTA at a substantially higher level.

There is no wonder that the American travel industry is unwilling to support user fees to pay for USTTA's programs when there is every reason to believe that monies collected as user fees will never be used to support USTTA's programs.

To explain this skepticism, one need only look at the current charade going on within the Administration over the agency's FY '91 budget and the initiative by this Committee to raise the airline departure tax to fund the deficit.

ASTA supports the concept of user fee funding for USTTA and the broad range of other programs mentioned previously, but only if the monies raised by those fees are dedicated exclusively, and appropriated directly, to the programs for which they are intended.

If Social Security, the savings and loan bailout, Immigration user fee funded programs, and portions of the President's drug war can be operated off-budget or at least categorized so they will not affect Gramm-Rudman-Hollings budget targets, then there is no reason USTTA, FAA, the highway program and other current and future user-fee funded programs can't be too.

Whether it is done as part of this bill, or part of the FAA reorganization proposal under consideration by the Commerce Committee, ASTA urges that off-budget user fee funding, including the possibility of dedicating a part of the international passenger departure fee, be established for USTTA and that funding of at least \$30 million be provided the agency for FY '91.

ASTA ISSUES

Mr. Chairman, over the past 35 years the travel agency community has enjoyed tremendous growth and economic vitality. A 1955 study done for ASTA by Cresap, McCormick and Paget stated, "...there are some 2,000 travel agents in the United States and Canada offering a general range of travel services.

"...the gross bookings of these agents total some \$450 million to \$500 million annually,..."

Twenty years later, in 1975, an ASTA study done by Touche Ross & Company found there were 12,262 travel agents producing gross revenue of \$7 billion from sales of air transportation alone. Another study done at about the same time by Checchi and Company estimated that total sales by travel agents were over \$10 billion.

By 1985, the total number of travel agencies had grown to 27,193, producing ticket revenues of over \$30 billion and commission receipts of over \$3 billion. Each agency employed approximately 5.9 persons, making total employment in the travel agency community in 1985 about 160,000.

In addition to experiencing phenomenal growth in numbers and business during this period, travel agents have distinguished themselves by establishing an ever improving record of output. The U.S. Department of Labor reported in its September, 1987 Monthly Labor Review that between 1986 and the turn of the century, travel agencies would improve their output at an annual rate of 5.9 percent, second only to manufacturers of electronic computing equipment.

Travel agents are an essential part of the sales distribution system for the travel industry worldwide. A recent ABC News/Money Magazine poll showed that nearly two-thirds of consumers who have flown at least once in the past three years used a travel agent to book most of their flights, while 22 percent called several airlines for reservations, 12 percent called only one airline, and two percent called a charter company.

Similarly, a survey by the Cruise Lines International Association found that the vast majority of cruise sales, 90 percent of tour packages, 81 percent of U.S. air carrier passenger sales, 55 percent of car rentals, 37 percent of Amtrak passenger sales, and 25 percent of domestic hotel bookings were done through travel agents.

What is the reason for this high level of dependence by consumers and the industry upon travel agents?

According to a study by the firm of Oxtoby-Smith sponsored by Travel Agent Magazine and appearing in the September 11, 1989, issue of that magazine, "The ties that bind client to agent go deeper than those of facility, stemming instead from a deep dependency relationship, part psychological, part economical, on the part of the public for the agent's expertise."

According to the survey, consumers see travel agents fulfilling several roles. They are:

--Experts...highly knowledgeable, well-traveled, conscientious and in possession of inside information about travel options unknown to the public;

--Facilitators...helping to plan better travel experiences than the consumer could plan for him or herself;

--Influencers...68 percent of the consumers surveyed said they changed their travel plans after consulting with a travel agent;

--Psychological support...a subtle, and often overlooked part of the agent/client relationship is the mental reassurance the agent provides the client about their travel selection; and

--Budget manager...clients view an agent as someone who will help them meet their price objectives while obtaining the best value.

And despite the assumption by some that the role of the travel agent will diminish as new distribution technologies evolve, all signs point to travel agents playing an even more critical role as information specialists and consultants to the traveling public.

In fact, a recent study on U.S. demographic, social and economic trends between now and the year 2000 concluded, "The number of alternate distribution systems for travel will increase and become incredibly complex before they eventually simplify."

ASTA sees no end in sight to the growth experienced in the travel agency community. By the end of 1988 there were 32,497 travel agents producing sales of more than \$71.8 billion. Forecasters anticipate that the travel agency community will continue to grow at an annual rate of about 10 percent between now and the end of the century, and annual receipt growth will make the travel agency community the second fastest growing industrial sector nationwide. The Bureau of Labor Statistics projects travel agents among the top 20 in terms of future employment opportunities.

So with that rosy forecast, some may wonder why there should be any concern about the competitiveness or economic viability of the travel industry.

The answer lies in the adage, "An ounce of prevention is worth a pound of cure."

We have seen what happened to other industries that were made uncompetitive and economically unviable as a result of unwise government policy. We don't want that to happen to the travel industry, and that is why, even after more than three decades, ASTA and others continue to argue the travel industry's case before the Congress, the Administration and others who can influence government policy decisions.

With that in mind, Mr. Chairman, there are several issues -- related and unrelated to the proposed legislation before us -- of vital importance to ASTA members. ASTA wishes briefly to bring these concerns to this Subcommittee's attention.

Some of these issues are within the immediate jurisdiction of this body, some are within the jurisdiction of the full Committee, and some are not within the jurisdiction of the Commerce Committee but do have a significant impact on the travel industry and especially travel agents. These issues include:

Computer Reservation Systems:

Evidence that major CRS vendors possess market power, and therefore a competitive advantage, is so well documented in the Department of Transportation's 1988 CRS Study that it seems no longer debatable. Large vendors have an enormous advantage when their dominance of an air transportation market is combined with their dominance of CRS placements in the travel agency community.

Using contract provisions that include huge liquidated damages, rollovers, minimum use and long terms, the dominant vendors lock in the travel agency community and assure their competitive position against other airlines seeking to enter the market.

Because of the long terms of these CRS contracts, these effects linger even after the vendor's affiliated airline may have reduced its schedules or departed the market. The vendor continues to extract booking fees from the replacement carrier for every segment booked by local travel agents. The 1988 DOT CRS Study established beyond doubt that these booking fees are extraordinary and not justified by any risk associated with the vendors' investment in CRS facilities.

ASTA has urged DOT to, among other things, reduce the maximum permissible term of CRS contracts to three years or less from the present five year maximum. Combined with an effective prohibition of rollover practices, this change would accomplish much in freeing agents from the domination of large vendors.

A three-year contract limit would force vendors to compete more often for the CRS business of agents and would make it easier for agents to use multiple CRS systems.

This, in turn, will help the public by making available alternative information sources through the same agent. It will help airlines seeking to enter a new market by reducing the number of cases where the dominant CRS is that of the major competing airline or that of an airline that has actually vacated the market.

We ask this Congress stimulate the Department of Transportation to act on CRS revisions now.

Tax Code Revisions:

There are numerous changes or pending proposals to change the tax code which have dramatic effect on the travel industry and especially travel agents.

Among these are --

--enforcement of unrelated business income tax on
commercial activities of tax-exempt organizations.

Literally hundreds of universities, churches, social groups, and other non-profit organizations compete directly and unfairly with all sectors of the American travel industry by selling travel services at reduced prices, largely the result of paying no tax as a price of doing business.

For nearly two decades, ASTA, along with other travel trade associations, has sought a review of the unrelated business income tax provisions of the IRS code in an effort to require more effective interpretation and enforcement of the code. ASTA members want Congress to understand that they do not object to the competition as long as its is on equal footing. ASTA members simply want the IRS to enforce the code.

Non-profit organizations engaged in commercial activities --such as selling travel and tour services to the general public -- should pay unrelated business income taxes.

--repeal of Section 89 of the Internal Revenue Code.

The potential cost and complexity of this provision for the American travel industry is enormous. ASTA is pleased that the Administration and the Congress, especially the House Ways and Means Committee, have responded favorably to the pleadings of American business to modify this potentially onerous burden. It would be a grave disservice to the millions of workers employed throughout the travel industry to have their work benefits eliminated as a result of the unreasonable requirements of Section 89 as they were previously written.

--the reduction of tax deductions for business meals and entertainment,

Reduction of the business meal and entertainment deduction in the Tax Reform Act of 1986 is viewed as only the first in a continued effort by some in Congress to eventually eliminate this legitimate business deduction altogether. To ASTA and others in the travel industry, it makes no sense to arbitrarily attack this form of business expense while ignoring other business promotional and facilitative expenditures.

--the elimination of business tax deductions for conventions held on foreign-flag cruise ships,

While politically attractive as a soak-the-rich provision, the elimination of this business tax deduction deprives economic opportunity to an important sector of the world travel industry and to many American port cities.

Increased demand for cruise ship services could be stimulated through reinstatement of the business tax deduction for conventions held on foreign-flag cruise ships. In turn, many American workers, and service and commodity suppliers would benefit through increased economic activity.

Travel Fraud

Mr. Chairman, among ASTA's purposes are:

To promote professional and ethical conduct in the travel agency industry worldwide; and

To promote consumer protection and safety for the traveling public.

ASTA's principles of professional conduct and ethics, to which all members are pledged, require ASTA members to deal fairly and honestly with their clients.

The substantial resources allocated to staffing ASTA's consumer affairs department, as well as the funding of ASTA's 17 member Consumer Affairs Committee is tangible evidence of ASTA's commitment to ethical practices in the travel industry.

ASTA, like most organizations with consumer affairs roles, has handled thousands of inquiries and complaints from the public. From ASTA's perspective there is much to be gained by protecting the public from travel fraud.

First, it is in the best interests of the legitimate travel industry to ensure that travelers get what they pay for. It is especially true in the travel agency community. With limited advertising budgets, ASTA agents must rely on satisfied customers as their most effective advertising medium. Travel agents rely on repeat business and word-of-mouth advertising.

Second, many travel fraud victims incorrectly believe they are dealing with legitimate travel agents, especially if they have never dealt with a professional travel agent before.

In this situation, legitimate travel agents are also victimized. Consumers victimized by scam operators develop an attitude which challenges the integrity and professionalism of legitimate travel agents throughout the country.

ASTA believes that the USTTA could play an important role in this area by working in cooperation with state and local officials and reporting their findings to Congress on a semi-annual basis.

If it is the desire of this subcommittee to legislate a program to foster closer ties between USTTA and the travel agency community, then ASTA would propose that language in Section 11 of the proposed bill pertaining to receptive, linguistic, informational, currency exchange, meal, and package tour services be bolstered to promote further the implementation of programs like the receptive operators initiative launched by ASTA in cooperation with USTTA nearly 10 years ago.

Banks in Travel:

ASTA remains vigilant in its efforts to prevent changes in the existing law which prohibit federally chartered banks and bank holding companies from owning and/or operating travel agencies or selling travel services.

ASTA vigorously opposes all initiatives which would allow banks to use their tremendous financial power to pursue non-banking activities, especially the sale of travel services.

Visa Waiver:

The Immigration Reform Act of 1986 authorized a two-year pilot study of visa waiver between the United States and six high volume, low risk nations. After more than two years of negotiation between the Departments of State, Justice, Treasury and Commerce, the Visa Waiver pilot program was fully implemented this year.

With preliminary results from the United Kingdom and Japan so positive, there is every reason to believe that the program should be extended to others of America's high volume tourism trading partners. ASTA encourages the introduction and enactment of such authorization at the earliest possible opportunity.

Government Mandated Employee Benefits:

Finally, Mr. Chairman, there are at least three measures before Congress which, in the context of the National Tourism Policy, ASTA believes should be scrutinized for the economic impact on the travel industry. These three issues are:

The Family and Medical Leave Act;

Amendments to the Fair Labor Standards Act establishing a new, higher minimum wage; and

The Basic Health Benefits For All Americans Act.

Each of these measures, if passed, will impose significantly higher costs on American businesses across the board, but because the travel industry, and especially travel agencies, are so labor intensive, the costs of these measures will be felt even more acutely. ASTA urges that the financial impact of these measures on the American travel industry be weighed before Congress completes its deliberations.

Conclusion

Over the past several years, we have all marveled at what a tremendous source of new jobs the travel industry has become. Communities across our country have enjoyed economic revitalization as a result of the growth that has occurred in the travel industry. Even as the draft legislation before us recognizes, the rebirth of rural America lies at the door step of tourism.

ASTA urges the Congress through this hearing today not to kill the goose that is laying the golden egg. Please do not increase the cost of doing business so severely that either employers are forced to eliminate jobs or restrict the creation of new jobs.

We can not rob Peter to pay Paul.

We can, however, provide both Peter and Paul jobs and let them both earn to the best of their abilities, provided our nation's economic policy, including America's National Tourism Policy, enables this great industry to be economically viable and internationally competitive.

If fully implemented as drafted with the additional suggestions outlined in this testimony, ASTA believes the proposed Tourism Policy and Export Promotion Act of 1989 can achieve these ends.

Thank you Mr. Chairman.

I would be pleased to answer the Committee's questions.

Senator BRYAN. Thank you very much, Mr. Gilmore. Let me ask you a couple of questions. I know our time is late. We certainly appreciate your being here and we appreciate very much your testimony.

You have been around for nearly 30 years, if my math is correct. Why, in addition to the fact that the industry is fragmented and not perceived as a single industry, but being a component part of airline recreation, hotels, trains, all of that sort of thing, why have we been unable to make a stronger and more effective case for what to a lot of us seems to be self-evident that it is a good investment. It is not an expense, it is an investment. The return will come back to us many times. Why has that not been possible over the past 30 years?

Mr. GILMORE. So often in the past I have heard it said because we come from a free enterprise philosophy that those people who have those products to sell, the hotels, the airlines, the car rentals, should go out and spend their own money doing it. The concept is if you want to sell your product, why go over and advertise it yourself.

The fact that has been lost time and time again is the fact that the United States tourism industry must speak with a central voice, and that voice has got to be the federal government.

So we must, as we try to do with our so-called annual tourism day every spring we have a day in which we emphasize to our elected officials the fact that tourism in their community is, as Senator Rockefeller says either the first, second or third industry in their community.

But, individually, the people that compose this tend to with their own advertising suggest that it is just hotels here or airlines here, but collectively we have not gotten that thrust. The answer to it is that we just need more and more education, and that is one of the things that ASTA is dedicated to.

Senator BRYAN. I would certainly agree with the point that you have made in terms of fragmentation, that we need to do more. I certainly agree with the point that Ms. Irwin-Hentschel made earlier about the litany of problems which mirror what a lot of us have had first-hand experience with and have been told many times over.

But let me just make the point again that I think, inadequate as the performance has been in Congress, to provide the kind of funding and as inadequate as the training which you specifically mentioned, having people that know something about tourism in our Foreign Service offices, all of which you know, you have laid the predicate for.

The private sector has got to be more effective in helping some of us up here who want to be soldiers in the cause and to get going. Why I have been back here as governor for gala evenings, wonderful dinners with the greatest respect—may I say that there is a dinner probably 100 of them every night in Washington, D.C. every day of the week.

With the enthusiasm that you have shown Ms. Irwin-Hentschel and with the background, Mr. Gilmore, that you have and with all of you in this room as interested as we all are in this committee, you folks tend to be entrepreneurial, imaginative with new ideas.

Very frankly, that is not the kind of experience or association that one commonly makes with government. It is not one of its strong points.

You have got to help us in terms of getting that message and, again, without any disrespect and in no way in derogation of what you have done in the past, let me suggest that the private sector needs to huddle and develop a strategy in helping us that believe in the cause to make that message more clearly understood not only in the Congress, but in the administration, the Department of Commerce and all of those agencies which play a critical role in terms of the new root structures that are being discussed.

I had a meeting just yesterday in my office on that. You are absolutely right. It plays a critical role. But we have got to have personnel overseas who understand what it is we are trying to accomplish. It cannot be someone who is primarily involved in a specialized area who is given this as an add-on assignment who really has no background, no understanding, no interest and in his or her job description of the 25 things expected of that individual, this ranks number 25. That is never going to get the job done, as you point out.

So, I would try to encourage you. I cannot speak for the Chairman, but we are open and receptive for new ideas as to how we get this message crafted back here.

Mr. GILMORE. Senator, I have mentally taped what you said, and I am going to play it back to private enterprise because it is a real challenge.

I am glad you are on the legislative front because you can really help us up here. We have got to back you up with more evidence of our own team playing.

Senator BRYAN. I do not mean to be critical, but we have to do more than just have an annual dinner. Those are wonderful events, but frankly in the cosmic perspective of things, one dinner tends to blend into another dinner. And so, we have got to do something that in effect establishes the hallmark of this industry and to give it the kind of profile and understanding that we face problems in agriculture.

I mean, there is a congressional response, and whereas we do not have problems but only opportunities as they have been described, we have got to do the same thing.

Do you have any thoughts, Ms. Irwin-Hentschel? I have been talking, and I want to give you an opportunity to respond with some of those creative suggestions that you might have.

Ms. IRWIN-HENTSCHEL. Well, Mr. Chairman, on the point that you have just made, when Ambassador Schnable was newly appointed—in fact, it was the first day literally in the office—I went to see him and shared with him some of my concerns about our working together, the private sector with USTTA.

And at that time I offered to him that we would be willing to assist in the training of all of the overseas office from the tourism industry so that they would have a better understanding of what the operators overseas are looking for, what they need in the way of assistance.

He was very positive about that. So, I hope that something comes from that because I have spoken to them since then encouraging that this is the type of thing that we would like to do.

I said I thought maybe they should bring everybody here from all the various overseas offices and that we would be happy to take—I mean, that it would be wonderful for us to be able to take the time and try to help them and at the same time, we would hear from them their areas of concern that they have that we could relay back to the international operators overseas as well.

Senator BRYAN. Well, that is specific. It is very positive. It is very constructive.

Let me just ask you to maybe give your offers of assistance and the enthusiasm that you bring to these efforts a bit more of a global view on how you can develop in the private sector a more effective strategy for getting this message across to the administration to other members of Congress.

It seems to me that is a great challenge.

Finally, if I might comment on the airport situation, let me ask what, if anything, we are doing.

I agree, certainly, with the chairman's observation that we have an aviation trust fund that has been used as part of budget gimmickry so that the nation's indebtedness does not appear as badly as it really is.

That was not the intention of the aviation trust fund, and tourism and travel are directly affected as a result of that shortsighted strategy.

But clearly, some of the airports that are points of entry in this country are really the armpits of the country. I mean, you all per-

haps can help us work with local airport authorities, local municipalities however those are managed and run to make that point.

Maybe you get, as Senator Danforth suggested, maybe you get somewhat immunized to that whole thing that you experience it all the time, and you think that it will never get any better. But some of the facilities are absolutely indescribably atrocious. They are not only antiquated, but they are filthy and clearly that does not put America in the best light for the traveler.

Mr. GILMORE. Senator Danforth suggested the possibility of an ombudsman. I believe the American Society of Travel Agents could be that because we are on the firing front with hundreds of thousands of people every day who are going and coming and who sense all of these things, and we become the lightning rod for their concerns.

So, you have a private sector that is out here working ready to work with a lot of umbrella organizations such as the Travel Industry Association of America, and all of these opportunities are right before us.

I think we have made giant steps forward to divide this dialogue. I am glad that you are such an enthusiast, and I can tell you on this side of the table that you have got that equal kind of enthusiasm.

Although we are young in terms of experience of international travel compared with many countries around the world, we are well on our way, and we are learning lots of things every day.

I think we can iron some of these out and still know that the USA is the best travel product in the world, and we are just going to make it a little bit better by these things that we do.

Senator BRYAN. We all agree.

Just as a concluding observation, we all hate to see a ranking in which, however, we are compared. We are at the bottom of that ranking, perhaps a national grading system that ranks airports from the standpoint of, you know, travel convenience, cleanliness, courtesy, efficiency in terms of operation.

I daresay that when mayors and airport authority directors, if they see that they are ranked in 100 cities as number 99, it is the nature of the political process in America that that will get their attention, and there will be a great deal of effort made to move one's self up.

Consider that.

I do not know whether your organization and your own experience with your company of ATI would lend itself to that sort of thing, but I, for one, think it has a good bit of promise.

Mr. GILMORE. We might call it the Bryan yardstick and go from there.

Ms. IRWIN-HENTSCHEL. Mr. Chairman, we actually give each passenger who arrives in the United States common forms asking them about every aspect of their experience here in America.

Senator BRYAN. That is great.

Ms. IRWIN-HENTSCHEL. We would be happy to pass that to wherever it would be helpful.

But I feel that the area of the airports and immigration and customs is the one area, one major area where the United States government can really help.

What we have done from the private sector is to help with the language capabilities. We have in every major gateway ATI staff, uniformed multi-lingual, five, six, seven, eight languages, each one of them, to help with the passengers as they are off-loading.

Very often we are assisting passengers that are not only ATI passengers. In fact, in Hawaii the hotels calls us when they have a passenger who speaks a foreign language knowing that we will have that language capability.

So, that is a contribution that I feel the private sector can give, but we need the help from the government on the immigration and customs. They will not listen to us, I do not think.

Senator BRYAN. Well, perhaps we can get their attention. We thank you for your suggestion.

Let me just conclude by saying that we appreciate your participation, your insight, your observations. We want to work with you, and we appreciate the involvement and participation of all of you here today who are interested in these problems.

This subcommittee hearing is adjourned. The subcommittee stands in recess subject to the call of Chairman Rockefeller. Thank you very much.

[Whereupon, at 12:25 p.m., the subcommittee adjourned, subject to the call of the Chair.]

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